# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,024 — Friday September 5 1986 — D 8523 B

Opening a path to cheaper flight, Page 20

World news | Business summary

## Doubt on French role in Lebanon

France's long-term participation in the Unifil peacekeeping force in Lebanon was put in further doubt when three French soldiers were killed by a terrorist bomb apparently planted by Islamic militia.

The attack coincided with a declaration from the Islamic Jihad group condemning French policy in the Middle East for being too closely tied to that of the US and with fresh threats against the French hostages held in Lebanon.

France condemned the killings as cowardly and called on the UN to redefine Unifil's mission. Page 22

### Peres invited to US

Israeli Prime Minister Shimon Peres has been invited to meet US President Ronald Reagan in Washington on September 15, just a month before he is due to relinquish his premiership.

### West Bank trade

The EEC proposed special trade status for the Israeli-occupied territories in the Gaza strip and on the West Bank, which would give fruit and vegetables access to the Community market on terms similar to those for Israel, Jordan and other Mediterranean countries.

### Ban on Libyans

The Irish Government is to refuse entry to Libyan students because of Libyan support for the Irish Republican Army (IRA), which is fighting to end British rule in Northern Ireland.

### Controller 'distracted'

The air traffic controller handling the AeroMexico DC-9 that crashed in a Los Angeles suburb on Sunday was working at two jobs simultaneously, according to a federal investigator studying the accident, which claimed the lives of at least 85 people.

### Bhutto court move

A court in Pakistan ruled that jailed opposition leader Benazir Bhutto could appear in court in four days time to contest her detention, but ordered tight security.

### Gadaffi threat

Libyan leader Muammer Gadaffi threatened to withdraw from the Non-Aligned Movement and form a world army against the US.

### Liberian alert

Liberia's government said it had foiled an attempt by a group of dissidents to invade the country and seize power.

### Petrol bomb attack

Catalan guerrillas threw petrol bombs at a Barcelona bank in the second attack in two days against the city's attempts to host the 1992 Olympic Games. No injuries were reported.

### Polish N-plant delay

Concern over safety heightened by the Chernobyl nuclear power plant disaster is leading to significant construction delays at Poland's first nuclear power plant. Page 2.

### Chile protest

Police in Chile used tear gas and water cannon to disperse demonstrators in central Santiago after the opposition called for protests against the military government of President Augusto Pinochet.

### E. German taxis

East Germany is to allow private car owners to use their vehicles as taxis in order to combat a taxi shortage and to end a black market in taxi services. Page 2

### Harvard celebrates

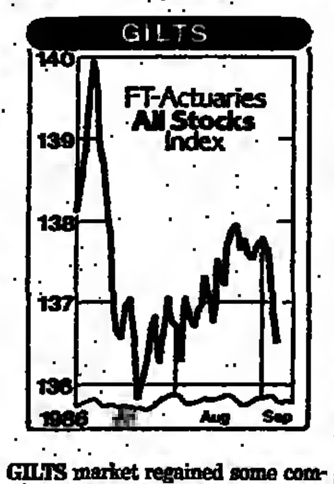
Prince Charles of Britain gave the main address at a ceremony in Cambridge, Massachusetts, to mark the 350th anniversary of Harvard University.

## Wall St stocks surge to record

WALL STREET shares rose to record levels amid renewed confidence in the outlook for the US economy. The Dow Jones Industrial average surged to a new peak, adding 38.38 to 1,919.71. Share market report, Page 46

TOKYO: Prices firmed after two lower sessions. The Nikkei average rose 54.19 to 18,550.64. Page 46

LONDON: Equities continued to rise while gilts showed fresh falls. The FT-SE 100 gained 9.6 to 1,680.3, while the FT Ordinary share index added 9.7 to 1,334.3. Page 46



GILTS market regained some composure after a lack of further overseas selling. Sterling's resumed rise against the dollar prompted light demand and the tone held until the after hours trade. Renewed sales aroused by falling gilts futures then put dealers under pressure and longer maturities wilted in sensitive trading to close with fresh falls ranging to ½.

DOLLAR closed in New York at DM 2.0335; SFr 1.6457; FFr 6.6655, and Y155.25. It rose in London to DM 2.0295 (DM 2.0265); SFr 1.6425 (SFr 1.6350); FFr 6.6525 (FFr 6.6450) and Y154.90 (Y154.65). On Bank of England figures the dollar's exchange rate index fell to 110.0 from 110.1. Page 39

STERLING closed in New York at $1.500. It rose in London to $1.5045 ($1.4995); DM 3.0525 (DM 3.0375); SFr 2.4700 (SFr 2.4525); FFr 10.0075 (FFr 9.9650), and Y233.0 (Y232.0). The pound's exchange rate index rose to 71.7 from 71.4. Page 39

GOLD fell $0.25 to $406.50 on the London bullion market. It rose in Zurich to $405.875 from $405.50. In New York the Comex gold settlement for December was $415.5. Page 38

CAMPEAU CORPORATION, maverick Canadian property developer, launched a surprise $2.5bn bid yesterday for Allied Stores, big US retail group with interests in Bonwit Teller and Brooks Brothers. Page 22

FRENCH Government blocked the proposed merger between Compagnie Générale Maritime, state shipping group, and Chargeurs Reunis, loss-making cargo and container subsidiary of Chargeurs, private transport and communications concern. Page 23.

BRITAIN'S current account surplus on balance of payments was cut to less than £400m ($268m) in the second quarter by a fall in earnings from tourism. Page 11

TWO FORMER investment bankers at major New York brokerage firms have pleaded guilty to criminal charges involving the biggest insider trading scandal in recent Wall Street history. Page 22

SEAGRAM, Canadian drinks group, reported higher overall profits for the second quarter and first half of fiscal 1987, due mainly to dividend income and higher unremitted earnings from Du Pont of the US. Page 23

CHRYSLER, third biggest US car manufacturer, increased its common stock dividend by 40 per cent to an annual rate of $1.40 a share. Page 23

# Soweto defiant as Pretoria enforces mass funerals ban

BY ANTHONY ROBINSON IN JOHANNESBURG

A MOOD of defiance gripped the black township of Soweto yesterday as thousands stayed away from work to attend the planned mass funeral forbidden by the authorities, of victims of last week's eviction riots.

A survey of 100 major employers in the Johannesburg area carried out by the Labour Monitoring Group of Witwatersrand University revealed up to 80 per cent absenteeism in some factories. Community leaders said they were determined to go ahead with plans for a mass funeral and expected the work stayaway to continue.

Township youths enforced the call for a mass work stayaway by stoning buses and suburban trains. Eyewitnesses reported thet barricades or rocks, oil drums and burning rubbish were strewn across roads in the Jabavu-White City area of the township after all-night vigils by hundreds of residents at the homes of the victims.

New restrictions on the press prevent reporting of security force action but the Bureau for Information reported last night that no mass funeral took place although several smaller funerals were conducted.

The Bureau said no deaths or injuries had been reported to the security forces, although unconfirmed reports said one woman had been killed after trying to board a train into work yesterday morning.

By nightfall Soweto residents reported that an uneasy calm had returned to the White City area but tension remained high as local clergymen, community leaders and families continued preparations for another attempt to hold a mass funeral today.

Residents said a funeral cortege was turned back before reaching Jabavu stadium. In other incidents coffins were left unburied by gravesides as large groups of mourners were forced to flee while helicopters hovered overhead.

The official version of events put out by the Bureau of Information admitted that tear gas had been used to disperse a crowd officially estimated at 5,000 strong which "gathered illegally" at the stadium.

Clergymen, whose application to the supreme court for an injunction to set aside the ban on mass funerals was refused on Wednesday night, accused the authorities of tricking bereaved families into signing a document agreeing to abide by the ban.

Meanwhile the legality of the ban imposed by the divisional police commissioner of Soweto has been called into question by the Pietermaritzburg Supreme Court.

The court yesterday declared invalid four sections of the emergency regulations relating to the media, including one which lawyers believe formed the basis for the ban.

The Pietermaritzburg judgment, the latest in a series of legal rulings which have successfully challenged aspects of the emergency regulations, frees South African publications from the threat of confiscation or closure for publishing material judged subversive in the opinion of the commissioner of police.

● The lawyer for two South African blacks due to be hanged next Tuesday for murder said yesterday he had failed to secure a stay of execution, Reuter reports from Durban.

Mr Julian Van Kemperer said he had exhausted the legal process in his attempt to save Mr Sicho Xulu, aged 26, and Mr Clarence Payi, aged 20, sentenced to death in April on charges of killing a colleague in the African National Congress (ANC).

The two denied murder but admitted belonging to the ANC. They are due to hang in Pretoria's central prison.

Background and analysis, Page 4

# Japan rebuffs Pik Botha with new sanctions plan

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

SOUTH AFRICA's attempts to discourage Japan from applying fresh economic sanctions against it appeared to have failed yesterday when Mr Pik Botha, the Foreign Minister, was told in Tokyo that additional measures were being prepared.

Tokyo's new attitude to South Africa was conveyed to Mr Botha during a one-hour meeting with his Japanese opposite number Mr Tadashi Kuranari.

Japanese officials would not say what measures were being considered, only that decisions would be reached soon in concert with other countries.

Sir Geoffrey Howe, the UK Foreign Secretary, is to visit Washington next Tuesday for talks with leading members of the US Administration on co-ordinating the West's policies on sanctions against South Africa.

Sir Geoffrey is going to Washington in his capacity as current chairman of the European Community's Council of Ministers and will have talks with Mr George Shultz, the US Secretary of State, Mr George Bush, the Vice President, and Mr Caspar Weinberger, the Defence Secretary.

A meeting with President Ronald Reagan is not scheduled but could be arranged at the last minute, as has happened in the past.

Although the Foreign Secretary's visit was planned some time ago, it comes at a particularly opportune moment. It takes place only two days after an informal meeting of EEC Foreign Ministers at Brocket Hall, Hertfordshire, near London, at the weekend, at which an agreement in principle on further sanctions against South Africa is expected.

The provisional EEC Hague summit package of economic measures, which includes notably a ban on imports of South African coal, iron and steel, is not due to be formally endorsed by the foreign ministers until their regular meeting on September 15 and 16. But what British officials describe as "the political orientation" on sanctions will be given as early as this weekend at Brocket Hall.

Following Sir Geoffrey's abortive mission to South Africa on behalf of the EEC last July, during which he failed to persuade President P. W. Botha to open a dialogue with South Africa's black leaders, even the most reluctant European governments now believe that further economic measures against Pretoria are inevitable.

Mr Reagan yesterday announced that he was extending for another year the sanctions the US imposed against South Africa a year ago. The White House said that it was leaving open the question of whether to impose new measures which would reinforce the economic measures put into effect last year until the US had completed its consultations with its allies.

Although she adamantly refused to subscribe to the list of sanctions proposed by other Commonwealth countries at their mini-summit in London last month, Mrs Margaret Thatcher, the UK Prime Minister, appears resigned to accepting the measures foreshadowed at the EEC Hague summit two months earlier.

She said after last month's Commonwealth meeting that Britain "would not stand in the way" of the Hague package if that was what its European Community partners wanted.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, who yesterday had a one-hour meeting with Sir Geoffrey at the Farnborough International Air Show, in southern England, is also believed to have conveyed to his British colleague Bonn's willing-

Continued on Page 22

# Olivetti plans to raise $537m

BY ALAN FRIEDMAN IN MILAN

OLIVETTI, Italy's office automation group, yesterday announced plans to raise up to $537m through the issue of bonds with warrants attached to buy shares.

Olivetti said it will ask shareholders later this month to approve the issue of L500bn ($358m) of 10-year fixed interest bonds. Shareholders will also be asked to approve an increase in Olivetti's share capital so that the warrants attached to the bonds may be used to purchase savings shares worth up to L250bn.

Olivetti did not specify how it would use the funds from the raising, its second of the year. Last April Olivetti unveiled a Swiss franc bond issue to raise L430bn plus an additional L200bn through the exercise of warrants to buy shares attached to the Swiss franc bonds.

The maximum amount which could be raised from the two bond-plus-warrant issues this year would be $988m.

"The proceeds from the operation will be added to the group's liquidity, which has increased considerably in 1986," the company said.

These new financial resources are intended "to finance a new phase of growth, with significant industrial, commercial and research investments and through new opportunities arising on the rapidly changing market."

The Olivetti issue comes 24 hours after Mr Carlo De Benedetti, Olivetti chairman, told analysts in Paris that he plans to raise a further $600m on international capital markets before the end of the year to finance the growth of his personal industrial and financial empire, which is separate from Olivetti.

Mr De Benedetti, who now controls food companies, car components makers, insurance and banking interests, publishing and other companies in Italy, France and elsewhere, has already raised about $2bn on international markets this year. In 1985 he raised $750m, mainly through holding companies

Continued on Page 22

# World Airways to halt scheduled flights

By Louise Kehoe in San Francisco

WORLD AIRWAYS, the US pioneer of cut-price air travel, is to halt all scheduled passenger flights on September 15 and lay off 1,500 employees, more than half its workforce.

The airline, based at Oakland, California, plans to expand its charter flights and to continue its maintenance services operation in California.

World, founded in 1950 by the late Mr Edward J. Daly, who is reputed to have paid $50,000 of poker winnings for army surplus aircraft, has had a colourful history. The company started out as a charter airline and by the late 1950s had the largest charter and cargo operations in the US.

World became a scheduled carrier in 1979 and inaugurated transcontinental flights between Oakland and New York for $99, sparking off a price war with established airlines. By 1980, however, World had become a victim of that war. The company lost $28m thet year, and has posted losses since.

The airline posted a $23.8m net profit for the six months to June 30, compared with a $9m loss for the corresponding period in 1985. All the gains, however, came from the sale of one Boeing 747 airliner and the return of four other jets to United. World's shares rose from $3⅞ to $4¼ in early trading yesterday, apparently on relief that the entire airline was not being shut.

World said that it now plans to return four more DC-10s to United and return five other jets to lessors, leaving the airline with a fleet of five DC-10s.

Mr Jerrold Scoutt, World's chairman, said: "Our priorities are to return to profitable operations as quickly as possible, to attain returns that were simply not available in the scheduled airline business."

World Airways offered flights to the US from London and Frankfurt as well as about 40 domestic flights daily. It was a favourite among European students and holidaymakers seeking low fares to the US. The airline said that the estimated 50,000 travellers holding World Airways tickets would not be stranded. Pan Am, United and Presidential Airways have agreed to accept their tickets.

Mr Daly, who owned 82 per cent of World, died in 1982. Since then, World's management team has changed repeatedly as the company attempted a comeback. Yesterday it announced the appointment of a new chief executive, Mr T. Coleman Andrews, who previously headed a small charter airline.

# Chirac to join call for cut in German rates

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, will add his voice to that of other Western governments in seeking a reduction in West German interest rates when he meets Chancellor Helmut Kohl in Paris next week.

The Prime Minister's spokesman said yesterday that Mr Chirac intended to raise his "desire to see to what extent the Federal Republic could envisage a modification of its interest rates so as to avoid tension on currencies within the European Monetary System (EMS) during discussions on Tuesday.

Mr Chirac and Mr Kohl will hold their talks just two days ahead of next Thursday's scheduled meeting of the Bundesbank Council, the traditional arbiter of West German monetary policy and interest rates.

The independent Bundesbank has so far resisted growing pressure from the US to reduce rates, but has left the possibility open if the dollar continues to fall on the foreign exchange markets.

Continuing inflows of capital into West Germany as a result of the Bundesbank failure to follow the lowering of US interest rates have brought indirect pressure on the French franc. Foreign exchange dealers estimate the Bank of France has spent hundreds of millions of D-Marks intervening to support.

At the same time the French Government would like a lowering of West German rates to encourage more growth in West Germany – France's principal trading partner – and to permit a further reduction in French rates. The Bank of France's intervention rate – the leading money market rate – has remained at 7¼ per cent since mid-June.

With French inflation dropping to a year-on-year rate of 2 per cent at the end of July, this means that in real terms French interest rates are still above 5 per cent or at the same level they were when the Right took power in March. Mr Chirac devalued the franc in large part to bring down French interest rates.

Mr Chirac's talks with Chancellor Kohl come at a time when differences between the two countries have emerged over a number of issues. He expects to be closely questioned over France's nuclear programme

Mr Chirac also wants to take up with the Chancellor both the European budget and European agricultural policy.

Money markets, Page 39

Banca Nazionale Del Lavoro (BNL), Italy's largest commercial bank, said yesterday it will cut its prime lending rate to 13 per cent from 13.25 per cent effective September 8, Associated Press reports from Rome.

The state-controlled bank said it would adjust its other lending rates downward in line with the prime rate cut.

# UK economy 'shows signs of growth'

BY GEORGE GRAHAM IN LONDON

MR Nigel Lawson, Chancellor of the Exchequer, said yesterday there were now some signs of renewed growth in the UK economy.

The UK's export performance, which suffered in the first half of the year as oil producing countries cut back on their expenditure faster than oil consumers increased theirs, has been more encouraging in the most recent monthly statistics, he said.

Mr Lawson warned, though, that the UK was losing markets to its overseas competitors through failure to control pay costs adequately.

"Industry now owes it to those made redundant to maintain pay levels that will enable it to take men on again to meet growing demand," the Chancellor told the Scottish Confederation of British Industry in Glasgow last night.

Government statistics published yesterday showed that the volume of exports of goods in the second quarter rose by nearly 3 per cent from the previous three months to a level 0.25 per cent higher than in the same period a year earlier.

"What we have experienced is merely a brief pause, and the outlook for next year and beyond remains good," Mr Lawson said.

Britain had been at the bottom of the European growth league from 1973 to 1982, he said, but returned to the top again last year.

The UK National Accounts for 1985 published today in the Central Statistical Office's "Blue Book," confirm that the country's gross domestic product grew by 3.5 per cent last year to a level 8 per cent above its

Continued on Page 22

CONTENTS

# Worry over safety holds up Polish N-plant

By Christopher Bobinski in Warsaw

CONCERN OVER safety heightened by the Chernobyl nuclear disaster is leading to significant construction delays at Poland's first nuclear power plant at Zarnowiec on the Baltic coast.

A local newspaper, the Glos Wybrzeza, has reported that doubts about the quality of domestcially produced construction materials are holding up work on the 1680 MW plant which is due to come on stream between December 1990 ond 1994.

Work on the foundations of tbe reactor, which is only 10 per cent complete, has been halted since the end of July after findings by tbe Construction Technology Institute (ITB) that the alkali content of cement being delivered by the Malagoszcz works was too high.

Malagoszcz says that this is because of the raw materials it is using and implementation of the ITB recommendations without recourse to imports could put the project back by two to three years, the newspaper says. No decision has yet been taken on wbether to buy the material abroad.

The newspaper foresees similar quality problems with steel, power cables and even paint for the site and argues that the whole project should be taken away from the Energy Ministry and placed under direct government supervision.

The delay arising from concern about quality has come on top of the normal problems which bedevil most capital investment projects in the country such as irregulor and delayed deliveries of materials. Opinion on site is that the plant is unlikely to be completed on time, the newspaper reports.

● The Polish ontborities have put up the price paid by industry for coal by 10 per cent in a bid to conserve the fuel. Coal plays a dominant role in energy production and export earnings.

The rise follows an increase of 20 per cent ot the beginning of the year but still leaves the central budget subsidising a fifth of the average output cost of 5,000 zlotys (£17) a tonne.

### Hilary Barnes in Copenhagen reports on a change with worrying implications for Nato

# Danish opposition backs controversial defence policy

DANISH politicians, who have often given Noto cause for coocern obout the size of Denmark's defence budget, and sometimes about the opparent drift of the country's defence policies, bave again succeeded in raising worried eyebrows among their allies.

The cause of the trouble is the conversion of the opposition Social Democratic Party to the doctrine of non-offensive defence, defined in a paper released by the party last month as fighting "in and from Danish territory." The policy contrary to present forward-defence strategies.

The party document says defence should bave a non-offensive structure in order to demonstrate peaceful and non-aggressive intentions and contribute to "bilateral" detente.

The Social Democrats ore the largest party in the nine-party Folketing (parliament) ond exercise e crucial influence over defence and foreign policy issues. They can often obtain the support of centre end left-wing parties to form a majority against the non-socialist minority administration.

The test of the party's commitment to its non-offensive defence doctrine, whicb has been inspired by similar discussions within the West German Social Democratie Party, will come next year. The persent three-yeor defence budget compromise between the Social Democrats and the four parties represented in the present government is then due for renegotiation.

Mr Anker Joergenson (above left) promises budget co-operation, but Fib's (above right) may still be disarmed.

Noto is sceptical of the non-offensive defence idee for e number of reasons, among them the logical objection that if other Nato members were to think in the same terms of limited territorial defence, then Nato would cease to exist. The Danisb Social Democrats, assume however that other countriea will not copy their new territorial defence doctrine.

The plan relies on reinforcement by other Nato members, although with the caveat that "our reinforcement agreements (with other Nato countries) must not be of a threateoing nature." Amoug the practical consequences of the doctrine, if it were to be edopted as official policy, are:

● The withdrawal of one of tbe three Danish brigades from tbe joint Danish-German command for the defence of Schleswig-Holstein, elthougb the Social Democrats assume that the joint command would remain under the command of a Danish general.

● The air force's F16 aircraft wonld no longer be armed with bombs, which could be used to ottack airfields in enemy territory and are therefore deemed "offensive."

● Naval combat capability would be pbased out and the navy would be converted to purely surveillance duties. Seaward defence would be carried out by mobile, land-based missile batteries.

The Social Democratic paper olso includes proposals which in themselves will be welcome to Nato, not least a commitment to strengthen tbe defence of reception areas for incoming reinforcements, which is one of the most serious gaps in the country's defence preparedness today.

But at the same time it seems to imply that an aggressor will be allowed to come very close to Danish territory, or even to gain a foothold on it, before the Danisb forces go into action. This would be highly unwelcome to the forces from the UK and other countries wbich are earmarked to come to Denmark's aid.

Mr Hans Engell, the Defence Minister, who is strongly opposed to the new ideas, cannot see any advantage for Denmark in the plan. "The Social Democrats fail to explain why they prefer fighting on Danish territory, among the civilian population, rather than to keep the fighting as far away as possible," he says.

Denmark'a defence capability is already regarded as so inadequate by some Nato countries that it has provoked serious diplomatic wornings to the Danes. They have been told that Danish territory and air space is so vital to the defence of other Nato areas, notably southern Norway and the UK, thot if Denmark cannot ensure an adequate defence effort of its own, its allies may conclude that the alternative to defending Denmark against an eggressor is to deny Denmark to the enemy without actually defending it. Laying waste to the territory is one apparent possibility.

The non-offensive defence doctrine would not exactly strengthen Nato confidence in Danish defence. "(If carried out) it would make Denmark'a much criticised position in Nato even more difficult," according to Mr Engell.

Both Nato members and Denmark's non-socialist parties have been taking comfort from the pledge made by Mr Anker Joergensen, the Social Democrats' leader, that the party will stick to its post-war commitment to working out a defence budget for the country in conjunction with the non-socialist parties, rather than with the left-centre foreign policy majority.

But tbere are some serious potential complications in the way of Mr Joergensen's scenario. Meny of the party's most senior members are looking to the formation of a Social Democratic-Socialist People's Perty coalition after the next general election, which must take place before the end of next year.

Such an administration would undoubtedly bove great difficulty in making o defence budget together with the non-socialist parties.

The party is also engaged in an unresolved debate over its ettitude to Nato'e strategy of nuclear deterrance. Denmark bas renounced tbe deployment of nuclear weapons on its territory in time of peace. The Social Democrats want to extend the renunciation to cover a war situation as well, preferably through the vebicle of a Nordic nuclear-free zone, implemented with the understanding of both Neto and the Soviet Union.

As the existence of the nuclear umbrella is one of the conditions under which Denmark's allies ere prepared to come to Denmark's assistance, the outcome of this debate, should the Social Democrats return to office, will also have a crucial influence on Denmark's future relationsbip with Nato.

# EEC to probe timeshare protection

By Tom Burns in Madrid

THE European Commission is to examine allegations of widespread fraud in the booming timeshare holiday ville and apartment property market, a British Euro-MP said yesterday.

Mr Edward McMillan-Scott said EEC experts would meet next month in Brussels and that a proposal to recommend a seven-day "cooling-off" period on timeshare transactions in order to protect purchasers would be emong the suggestions reviewed.

The timeshare industry has grown fest in Spain, as well as in Portugal and in Greece, and Mr McMillan-Scott said be bad received numerous complaints of fraud. The concern over phoney sales had elready prompted six large British companies (Wimpey, Barratt, Kenning Atlentic, McInerney Properties, European Ferries end Aspect Leisure Langdale) to form a timeshare property developers watchdog committee to combat frand.

Mr McMillan-Scott earlier this year led a campaign to protect freehold purchasers of holiday and retirement homes. He centred his investigetions in Spain where there are some 50,000 non-Spanish property purchasers a year, half of them British. One in 10 of the transactions are alleged to be fraudulent.

The bulk of the fraudulent companies are not Spanish. The most common fraud involves worthless property deeds.

# E. Germany to let private cars operate as taxis

BY LESLIE COLITT IN BERLIN

EAST GERMANY is to allow private car owners to use their vehicles as taxis in order to combat a severe taxi shortage, and to squash a thriving black market in private taxi services.

The private taxis are to charge the same fares os state ones and will operate "on behalf" on the stote taxi company according to the East German Legal Gazette.

East Germany in recent years has begun to allow a revival of private enterprise in the retail trade and services sector. Private shops were never wholly eliminated as in most other East European countries, and the Government is now subsidising new private bntchers, bakers and repair shops with a two-year tax boliday and low interest loans for equipment and machinery. The Government last year licensed 15,000 private tradesmen.

Hungary recently released figures showing that the share of private ownership in production rose from 1.7 per cent to 3 per cent in the last five years. The private sectors share was 1.5 per cent in industry and agriculture.

The number of self-employed craftsmen in Hungary increased 41 per cent to 42,000 while self-employed shopkeepers more than doubled to 25,500.

# Lake Lugano radioactivity

By Alan Friedman in Rome

SENIOR OFFICIALS from the government of Italy's Lombardy region fly to Rome today for urgent meetings which follow reports from Switzerland that dangerous levels of radioactive cesium 137 have been found in Lake Lugano.

Although most of Lake Lugano lies within the Swiss border, part of the lake runs into the Lombardy region as well. The Swiss Government on Wednesday banned fishing and issued bealth warnings after finding unusually high levels of radioactivity in Lake Lugano.

# Spain may revise inflation target

BY DAVID WHITE IN MADRID

THE SPANISH Government may have to revise its 4 per cent inflation target for next year in order to gain union backing for an inflation-linked wage moderation package.

Union pressure to adopt a higher guideline figure came to the fore as the Government completed a preliminory round of talks with industry and labour leaders.

Mr Carlos Solchaga, the economy Minister, beld a meeting yesterday with Mr Marcelino Camacho, the Communist leader of the Workers' Commissions. This union stayed out of the last two-year labour pact, leaving the Socialist-led UGT as the only union signatory.

The tripartite agreement, which set wage objectives in exchange for public investment pledges and other employment-boosting measures, expires in December.

Negotiations on e new agreement seem likely to be beld np because of the rivalry between the two big labour federations, pitched into battle in elections ot the end of the year for 300,000 union delegates in Spanish companies. Four years ago, the UGT scored a narrow advantage over the Workers' Commissions for the first time.

On Wednesday the Government—including its new Labour Minister, Mr Manuel Chaves, previously a senior UGT figure—discussed its economic plans in separate meetings with the UGT and the CEOE employers' organisation. Exploratory contacts with both these bodies during the summer appeared to point to the basis of an agreement, with wage increases for 1986 set at around 5 per cent—slightly above inflation — in exchange for a cut in employers' social security contributions.

However, the UGT now says the inflation target is unrealistic. The Government originally aimed to hold inflation at 8 per cent this year and to balve it in 1986, but the rate is now running at over 9 per cent.

The CEOE, on the other hand, regards 4 per cent as e maximum for Spanish competitivity

FINANCIAL TIMES

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# EUROPEAN NEWS

Refugee flood may mean Basic Law change. **Peter Bruce** reports

## Asylum issue raises hackles in Bonn

FIERCE fighting has broken out within the West German Government — much to the embarrassment of Chancellor Helmut Kohl—over wbether to tamper with the constitution in order to make it more difficult for Third World refugees to gain asylum here.

The number of people aeeking refuge in West Germany has risen alarmingly this year and only last week Mr Kohl made public a series of measures, inclnding tigbter visa controls and threota to fine airlines which transport refugees who did not have proper papers, designed to curb the influx. He made it clear then that he wanted o political debate about the refugees, which had boiled throughout the summer, to subside.

Bnt hardly had the Chancellor stopped speaking when senior right-wing politicians in his Christian Democratic Union (CDU) party began to insist, loudly, that the party should make the asylum issue, and a change in German Basic Law, central to its platform as it approaches next January's general election.

THE CDU and its Bavarian sister party, the Christian Social Union (CSU), hove now included a change in the constitution in the draft of their combined election programme. The announcement earlier this week by the Interior Ministry that the numher of asylum seekers reached a record 14,812 in August, 50 per cent more than in July, has only served to harden the CDU right. The CSU, led by the bellicose Mr

Mr Kohl (left) and Mr Strauss: two-thirds majority needed.

Franz Josef Strauss, has been insisting for months that the Basic Law (drawn up in 1949 and, in effect, the constitution) be tightened up.

All a refugee has to do now to receive sympathetic treatment in West Germany is to demand asylum from a Government official. Originally, this was meant to make it easy for East Germans to defect. But the prospect of more than 100.000 Pakistanis, Ghanaians, Iranlans and Lehanese arriving to stay in the country this year has angered many communities where they are being billeted. It has olso come as manna from heaven to conservative politicians.

Mr Kohl, whose relnctance to change the Basic Law is supported by important CDU leaders like Mr Eberhard Diepgen, the mayor of West Berlin, faces four immediate difficulties:

First, meddling with the Basic Law would be o major undertaking that would require a two-thirds majority in the Bundestag. He does not hove such a majority and fighting for one could make him look silly. Second, the change lays Germany open to charges of racism, about which Bonn is understandably sensitive. Third, the powerful Evangelical churches are opposed. Fourth, his other coalition partners, the Free Democrats (FDP), are vehemently opposed to a change in Basic Law, and they, for the present, have the Justice portfolio in the Cabinet.

He is also aware, thongh, that his right wingers and the CSU are making a serious point about the politics of the upcoming election. Despite his Government's success with the economy during the last three and a half years it is not enough to guarantee it snccess at the polls in January.

Refugees, and enthusiastically painted borror pictures of blacks swarming over neat German villages, are almost certain to win votes for the party that promises to stop it. The opposition SPD, whosa economic programmes would almost certainly mean a return to inflation, already has a serious vote-winner of its own — a hugely popular promise to wean the country off nuclear energy in 10 years.

Although it is a convention in Bonn now to predict victory for Mr Kohl, it would be far too dangerous for him to go into the election with his own party at odds and, much more publically, with his two coalition partners, the FDP and the CSU, at each other'a throats.

The CDU executive meets today to discuss the draft election programme, which then goes to a full convention in Mainz in October. So strong is feeling within the CDU now that it is thought unlikely the Chancellor will even try to remove the motion calling for a change in the Basic Law.

More likely, said one CDU politician yesterday, the motion would be allowed bnt thot it would be left to the CSU, which campaigns only in Bavaria, to push it during electioneering. That would still leave the Government open to charges that the FDP opposes important Government policy proposals but Mr Kohl's reckoning is probably that the entire issue will whither away when it has served its immediate political purpose.

## Black Sea toll rises

SOVIET authorities have arrested the captains of a passenger liner and a cargo ship which collided in the Black Sea on Sunday night, the Government newspaper Izvestia said yesterday, Reuter reports from Moscow.

The arrests came as a senior Communist Party official announced that the confirmed death toll in the collision had risen to 116. It had previously stood at 79, while 282 people are still missing.

The eventual death toll will almost certainly rise to 398, a merchant marine official said.

The 17,053 tonne liner Admiral Nakhimow was carrying 1,234 people on a Black Sea cruise when it was rammed by the bulk carrier Pyotr Vasev off the port of Novorossiysk, sinking soon afterwards.

## Swedish Nex plans to change

BY SARAH WEBB IN STOCKHOLM

THE CONTROVERSIAL Nynaes energy chemicals complex (Nex) project which was meant to make Sweden self-sufficient in ammonia production as well as supplying half of Stockholm's annual heating consumption through a new heat recovery scheme, has been told to change its original plans in order to get permission to operate.

The Swedish franchising board will only give Nex the go-ahead if it introduces measures to generate electricity for the urban grid and cuts sulphur emission to below 3mg per megajoule – well below the existing limits.

The stipulations reflect Sweden's concern over environmental issues and its quest for alternative sources of energy because nuclear power is to be phased out by the year 2010.

Under the original plan announced last August, four companies – AGA (the Swedish industrial gas group); A. Johnson (the privately owned Swedish trading and industrial group); Investeringsbanken (the state-owned Swedish investment bank); and Superfos (the Danish fertilisers, chemicals and construction materials group) – agreed to build the SKr 3.5bn ($510m) chemicals complex just south of Stockholm.

The plant was scheduled to start operating in 1989 and produce about 450,000 tons of ammonia a year, with Superfos buying about 90 per cent of this for its fertilisers business.

Under the new plan, Nex will only produce about 250,000 tons of ammonia, mostly in the summer months, and will switch to producing electricity in the winter months. The management says that Nex can generate about 40 per cent of the energy of one nuclear power unit.

The announcement to adapt Nex's plans coincides with news that Superfos has pulled out of the project, citing depressed ammonium prices as the main reason.

According to the original plan, Superfos would have assumed a 20 per cent ownership stake in the complex with an option on an additional 10 per cent. The remaining companies will now absorb Superfos's share in the project.

Superfos says that it rushed into the agreement in principle without fully considering the technical and economic factors involved.

# OVERSEAS NEWS

## Malaysian Chinese party's new leader

By Wong Sulong in Kuala Lumpur

MR LING LIONG SIK, 43, a medical doctor, has taken over the presidency of the faction-torn Malaysian Chinese Association, the largest Chinese political party in Malaysia, from Mr Tan Koon Swan who resigned after he was jailed by a Singapore court.

The MCA central committee which accepted his resignation has also promoted Mr Lee Kim Sai as the party's deputy president.

Mr Ling, Mr Lee and Mr Chan Siang San are MCA representatives in the 24-member Malaysian Cabinet.

Mr Tan, who had been MCA president for only nine months, was given a two-year jail sentence by the Singapore High Court last week for his part in stock market manipulation which led to the collapse of Pan-Electric Industries, the Singapore salvage, property and hotel group, last December.

Observers say the new MCA leaders will find it tough going as they lead the demoralised and financially indebted (as a result of the recent general elections) MCA into the Malaysian coalition Government, now dominated by the United Malays National Organisation of Dr Mahathir Mohamed, Prime Minister.

Mr Ling could also face problems in confirming his leadership at the MCA party elections next year because he lacks grassroot support. This is aggravated by his English-educated background, when the bulk of the party's membership is Mandarin-speaking.

Meanwhile, Miss Penny Chang, Mr Tan's wife, and Mr Loong Yoke Pin, a close business associate, have taken over the management of Grand United Holdings and Supreme Corporation, two publicly listed companies controlled by Mr Tan.

Mr Loong, who was one of the three businessmen who put up the S$40m ($20m) bail for Mr Tan during his recent trial, has been appointed GUH executive chairman, while Miss Chang was appointed Supreme's managing director. Trading in the two companies has been suspended since the Pan-Electric crisis.

## US tries to remove bars to Israel-Egypt summit

BY TONY WALKER IN CAIRO

US OFFICIALS are engaged in frantic efforts to bridge differences between Egypt and Israel over a territorial dispute in the Sinai so that the leaders of the two countries can hold their proposed summit next week.

Mr Richard Murphy, the US special envoy to the Middle East, wos yesterday in Alexandria for talks with Egyptian officials, including Mr Esmat Abdel Meguid, tbe Foreign Minister. He was also scheduled to meet President Hoshi Mnbarak.

Mr David Kimche, director-general of the Israeli Foreign Ministry, travelled yesterday to Alexandria from Cairo for talks with Mr Murphy to try to overcome barriers holding up final ogreement to refer the dispute over Taba, the disputed area of land on the two countries' Sinai border, to internotional arbitration.

Mr Hosni Mnbarak, Egypt's president, has repeatedly said there will be no summit unless there is complete agreement to forward the Taba diapute to international arbitration.

If the two saides fail to overcome their differences before time runs out for a meeting, the failure will mark a serious aet-back for US diplomatic efforts in the region.

US officials bave been playing a hroker's role from the start in the Taba negotiotions. US Middle East policy is firmly attached to securing better Egyptian-Israeli relations—virtually frozen since Israel's invasion of Lebanon in 1982.

If the summit does not take place hy the second half of September, its chances of happening at all will be slim.

Mr Shimon Peres, Israel'a Prime Minister and leader of the Labour Party, is due to hand over the premiership to Mr Yitzhak Shamir of the rival Likud faction in mid-October under a 1984 rotation agreement wbich followed a deadlocked election. Labour and Likud are the main elements of Israel's so-called "National Unity" Government.

Our Foreign Staff adds: Mr Peres was yesterday invited to meet President Ronald Reagan in the White House on September 15, one month before the hand-over to Mr Shomir.

It is expected that attempta to convene an international peace conference, including Jordon and an as yet undetermined Polestinian delegation, will head the ogenda.

The Washington meeting should give Mr Perea a much-needed boost before the transition if plans for a summit between him and Mr Muharak next week do not come to fruition.

## Gadaffi rounds on summit delegates in Harare

BY VICTOR MALLET IN HARARE

COL. MUAMMAR GADAFFI, the Libyan leader, lojected a note of farce inio the Non-Aligned summit in Harore yesterday, accusing some of the movement's 101 members of being spiea, puppets and traitors linked to Israel and the US.

Several delegates smiled and laughed, hut Col. Gadaffi's comments have, at leost temporarily, undermined the movements credibility ond shifted attention from the crisis in southern Africa.

Flanked by four women bodyguards in battle fatigues, who periodically chanted "down, down US" and "Allah is great," Col. Gadaffi harangued the assembled Third World beods of state and called the non-aligned group a "funny movement" and an "international farce."

Non-alignment was not possible, be said, in world divided between liberators and imperialists. Asked later if he would withdraw from the movement, he said: "Not yet."

"In this ball, there are puppets and there are spies," Col. Gadaffi sald, attacking Egypt, Zaire, Cameroon, and Ivory Coast by name.

The Three African states immediately condemned Gadaffi, expressing profound indignation at his "senseless" speech. Egypl's delegation sald Col Gadaffi's addreas was "nothing more thon o comedy staged hy a mentally-disturhed head of state who livea in a stote of political hackwardness and adolescence."

Mr Robert Mugahe, Prime Minister of Zimhohwe and the new leader of the Non-Aligned Movement, aat pensively during the speech hefore rebuking Col Gadaffi. "Not all of us agree that the movement is useless," be said to resounding opplause, adding that be understood Lihya's bitterness

Col Gadaffi said be was opening all bls country's militnry depots and camps to revolutionary groups throughout the world, and would estahlish a buge international army.

"I shall spread the troops of these forces all over the continents of the world so as to spread fire under tho feet of America," he said.

In an often contradictory speecb interspersed with whimsical smiles, Col Gadaffi called for the movement's aholition and said the statements of the thousands of delegates would be thrown in the dustbin and ignored by the two superpowers.

## Moscow makes complaint over freighter

By Our Foreign Staff

THE Soviet Union has protested to Tehran over the hoarding of 11,750-ton freighter Pyotr Yemtsov, hut the issue will soon he closed, according to o Foreign Ministry spokesman in Moscow.

"We lodged o formal protest because this was a violation of novigation laws but now the qnestion is olmost closed, Mr Gennady Gerasimov said yesterday. He said that engine folture had prevented the ship from proceeding to Kuwait

Earlier in Tehran, a senior Iranian Navy official said that the vessel, which was stopped two days ago for cargo lnspection, would be free to proceed. It was diverted to the port of Bandar Ahbas.

Shipping executives in Bahrain were quoted by Associated Press as saying that the vessel was being unloaded on Wednesday.

Whatever the cargo, both countries appear anxious not to make an issue of the lncident or jeopardise the recent improvement in their relations.

The vessel was suspected of carrying war-related goods for Iraq, according to the official Islamic Republic News Agency. It did not report that any were found.

# SOUTH AFRICA

## Emergency law sections quashed

BY ANTHONY ROBINSON IN JOHANNESBURG

THE BATTLE for press freedom in South Africa was taken a step further yesterday when a full bench of the Natal Supreme Court declared invalid sections of the emergency laws which empowered the Minister of Law and Order to seize or close any publication containing what he considered a subversive statement.

Ruling on an application brought by four English language press groups last month challenging the validity of sections seven to 12 of the June 12 emergency regulations, the Natal court declared regulations seven (1) (d), 10 (b) and the whole of sections 11 and 12 to be invalid. The newspapers submitted that all the regulations were unreasonable and exceeded the State President's powers under the 1953 Public Safety Act, since they could never have been intended by parliament.

The South African legal system works under the English principle of the Sovereignty of parliament. This latest challenge to the legality of the emergency regulations as they apply to the media hinged on whether the regulations exceeded the powers contained in the primary law approved by parliament.

In making its judgment, the court ruled that several of the clauses of the emergency regulations, particularly section 10 (b), which made it illegal for any news organisation to "possess any subversive statement" were "so for-reaching and horrendous" that parliament could never have intended or countenanced them.

They descvribed section 11, which allowed the minister to seize a publication if in his opinion it contained a subversive statement as "objectionable and unduly excessive."

The court particularly objected to section 7 (d) of the regulations because of the broad and vaguely defined powers vested in the commissioner of police. The section, now ruled invalid, empowered the commissioner or any person authorised by him to issue orders "relating to any other matter the regulating, control or prohibition of which in his opinion is necessary or expedient with a view to the safety of any member or members of the public or the maintenance of public order, or in order to terminate the state of emergency."

In its ruling the court maintained: "This meant that the State President in effect vested the commissioner with the discreion to decide for himself what was necessary and expedient."

The judgment of the Natal Court could be subject to different interpretation by courts in another province. It was also unclear last night whether the judgment which declared invalid one section of regulation even had any effect on the new media restrictions introduced on Wednesday night by the commissioner of police under regulation seven (1) of the emergency regulations, which includes the section declared invalid by the Natal Court.

Police headquarters in Pretoria indicated that the restrictions, which replace those withdrawn two weeks ago because they were incorrectly introduced by a telex message only, remain in effect.

But a lawyer—specialising in newspaper law, who was involved in the Peitermaritzburg case said last night that section three (1) of the regulations, which bans media presence at unrests and reporting nn actions of the security forces, appeared to have been deprived from the powers included in section seven (1) (d), which has just been declared invalid, and could therefore itself be invalid.

The new restrictions, which place blanket curbs on the reporting of unrest or the actions of the security forces, are even tighter than the original restrictions introduced on June 16 in telex form and ban all media personnel from being "on the scene, or at a place wtihin sight, of any unrest, restricted gathering or security action."

Customers' attitudes are worrying Pretoria, reports **Jim Jones**

## Sanctions-busters not so sanguine

WHEN Mr Pik Botha, the South African Foreign Minister met his Japanese counterpart Mr Tadashi Kuranari in Tokyo yesterday—he pulled out all the stops in an effort to persuade Japan not to join other countries in imposing sanctions.

Mr Botha's trip, which will also include Taiwan and South Korea, underlines the growing worry within the South African Government about the gradually tightening sanctions noose. Pretoria's ability to beat sanctions is probably more dependent on the agreement of the customer than on South African traders' ability to hide the provenance of the goods they sell.

Five weeks ago, for instance, Japan effectively halted imports of citrus fruits from South Africa by refusing to allow Japanese health inspectors to be stationed in warehouses in the Republic to check on fruit fly eradication procedures. Traders were particularly worried about this incident because Pacific rim countries are increasingly important markets for South African products.

Traders who learned their sanctions-busting skills in the years of the Smith Government in what was then Rhodesia, are past masters at getting South African goods into African countries. Frequently they resort to ambiguous labelling, an old trick in the sanctions-beating repertoire, particularly for products destined for markets in antagonistic countries north of the Limpopo River.

South Africa has no officially disclosed strategy for beating sanctions. It has, however, appointed Dr Marc Burger to the Department of Foreign Affairs specifically to develop counter-sanctions strategies.

In July, Mr Fred Bell, who led the development of the state-owned armaments company Armscor into South Africa's most successful sanctions-beating operation, was appointed to o top-secret Government post to co-ordinate the country's sanctions-beating offensive.

Three weeks ago Mr Dawie de Villiers, the Trade Minister, announced planned legislation which would prevent private sector companies from disclosing trade-sensitive information. Government statistics for instance, no longer itemise trade with South Korea.

Last year the Government appointed a committee to advise nn unconventional trading options, but has not disclosed any of the committee's recommendations. Nor will e casual inquirer receive much help from Safto (the South African Foreign Trade Organisation), the private sector group which provides export advice.

Despite the secrecy, it is clear that sanctions-beating efforts will be directed in four ways: pressure, subterfuge, local manufacture and economic incentives. They have all been used to some extent in the past two decades, and need only to be gingered up.

Applying pressure to neighbouring states is comparatively easy for South Africa, the dominant regional power. Mozambique suffered for years from a local insurgency backed by South Africa. Zambia and Zimbabwe, which rely on South Africa for two thirds of their foreign trade shipments, were both given a taste of their neighbour's ability to disrupt their trade last month, when South African customs inspectors delayed exports by making detailed examinations of cross-border consignments.

The South Africans disingenuously insisted that the delays were not retaliation for calls for Commonwealth sanctions, but the inevitable consequence of a brief "statistical survey" of cross-border traffic.

**Traders in South Africa are expert at avoiding sanctions, but only if importers are keen to receive their goods**

President P. W. Botha recently set out to ombarrass Zimbabwe by disclosing comparatively trivial details of a renewed trade pact between the two countries which the Zimbabweans had hoped would remain private until after the Non-Aligned conference.

That seems to have stiffened Mr Mugabe's stance on sanctions, but probably does not worry the South Africans who seem to believe that Zambia is the weakest link in the pro-sanctions chain.

Goods destined for Zambia are not being cleared through South African ports unless a 25 per cent deposit has been paid, which is refunded once the South Africans receive documentation proving the goods have been accepted into Zambia. This can take as long as three months, a delay which the cash - stripped Zambian economy can ill-afford. The implication is clear: if Zambia drops her calls for sanctions, South Africa will drop the deposit rule.

Countries such as Australia could well feel the indirect pressure of sanctions if South African coal exporters cut prices to retain markets threatened by boycotts. South African coal is distinctive and cannot be sold as coming from elsewhere. It is considerably cheaper to produce than coal from most other countries, however, providing considerable leeway on prices.

The stick of economic pressure is more than counterbalanced by the carrot of economic incentives. South Africa does not produce her own soda ash, though she could if she wanted to. Rather, the raw material used in glass and chemicals plants is imported from Kenya, principally through barter arrangements involving maize and other produce. Semi-processed sisal is imported from Tanzania under similar arrangements.

South Africa has regularly bought and stockpiled crude oil through the embargo years. It is felt now that oil is likely to remain in over-supply for several years, and producing countries will be only too happy to deliver to South Africa whilst demand is weak elsewhere.

The Government has in contrast nurtured the local armaments and synthetic fuel industries. It has stimulated the domestic electronics industry with state contracts and cheap state loans to locally-controlled companies such as Altech, enabling them to finance stocks of imported components. Oil companies have been encouraged to stay in South Africa by receiving guaranteed profits on petrol sales.

In export markets, subterfuge will largely involve disguising the provenance of South African goods. Last year Bloomingdales, the New York department store, carried a range of beachwear labelled "mado in Ciskei." Most anti-apartheid New Yorkers are probably not aware that Ciskei is one of South Africa's black homelands.

That is legitimate. Less honest, however, is the attitude of canned fruit producers in the western Cape, who are prepared to put any label of origin on the cans. Some traders claim that the logo of the Zimbawean Iron and Steel Corporation is now carried by steel exported by Iscor, South Africa's state-owned steelmaker.

An alternative being explored by South African exporters is to open businesses in neighbouring countries. A South African drug company has managed a plant which packages South African medical products in Swaziland for export tn African markets for more than 15 years.

Last month an official delegation visited South Africa from Mauritius hoping to persuade South African manufacturers to set up plants in the Indian Ocean state to finish textile goods which could then legitimately be exported bearing the "Made in Mauritius" label. At least one South African clothing manufacturer has set up a finishing operation in England.

Citrus exports present few difficulties. Outspan oranges havo been sold under the Odda brand name since the 1960s, while Swaziland and Mozambique make no fuss when South African growers mis-label their citrus and tropical fruit exported through Maputo. Letters of credit drawn on non-South African banks put the final cover on the origin of the fruit.

But the Japanese action five weeks ago sent shivers down South African traders' backs. The past masters of the sanctions-busting game for once were worried.

## Opposition retains Cape Town seats

BY ANTHONY ROBINSON IN JOHANNESBURG

THE WHITE opposition Progressive Federal Party (PFP) retained two safe Cape Town seats in Wednesday's by-election, which was marked by voter apathy and a low poll. The ruling National Party did not contest the elections, leaving the field to the New Republic Party (NRP), rump of the old United Party of General Smuts.

Its candidate lost his deposit in the Claremont constituency vacated by former PFP leader Dr Frederick van Zyl Slabbert, who was returned unopposed in the 1981 general elections.

The NRP also lost ground in the Pinelands constituency where the PFP candidate, Mr Jan van Eck, one of the party's more radical members, increased his majority in a turnout of only 32 per cent. Mrs Helen Suzman (pictured right), the party's law and order spokesman, castigated the low poll as "shocking in a country where most people do not have the vote."

On September 17 tho ruling National Party faces a test of its electoral support when it competes with a right-wing Herstigte Nasionale Party candidate in the Klips River constituency, also in the Cape.

## More banks to cut prime lending rates

STANDARD BANK and Trust Bank of Africa said yesterday that they will follow the lead of Barclays National Bank and reduce their prime lending rates by half a percentage point to 13.5 per cent from 14 per cent later this month, AP-DJ writes from Johannesburg.

Trust Bank said its cut will be effective from September 24 and Standard Bank said it will lower its rate the following day.

Two other major South African banks, Nedbank Group and Volkskas Group have not yet decided to alter their prime lending rates.

The move to lower the prime lending rates follows an announcement earlier that the South African Reserve Bank will reduce its base discount rates

## Europe urged to shun sanctions

BY CHRISTIAN TYLER, TRADE EDITOR

SOUTH AFRICAN mining executives are touring European capitals in a bid to prevent the EEC banning imports of coal, the country's second most important export commodity after gold, in any package of economic sanctions against apartheid.

Sanctions would lead to widespread unemployment and starvation among South African blacks, according to Mr Allen Cook, o director of Rand Mines. "They would also hurt us who hove been in the forefront of promoting change," he said in London yesterday.

He was speaking after the deputation had conveyed e similar warning to Mrs Lynda Chalker, e junior Foreign Office minister, and officials of tho Department of Trade. The group is going on to lobby in Brussels, Paris, Rome and Bonn.

EEC foreign ministers will debate whether to han South African exports of coal, iron and steel when they meet informally this weekend in a country house near London. A formal decision is dne by the end of the month.

South African colliery owners are worried not just about their EEC market, which takes 24m tonnes of the 40m tonnes of their total steam coal exports. They fear that sanctions by the US and EEC together would force the Japanese, their next largest customer, to follow suit.

Mr Pik Botha, South Africa's foreign minister, is visiting Japan, Taiwan and South Korea, in the hope of safeguarding his country's main sales outlets in Asia.

Mr Cook claimed yesterday thet 30,000 coal miners would lose their jobs if exports were halted and that their 150,000 dependents would starve. Another 20,000 jobs would go in allied industries.

He said it would be difficult to find new markets for such large quantities of coal in the event nf sanctions. Last year coal exports were worth R3.1bn (£864.2m), over 60 per cent of the total foreign sales by value.

He was speaking at a Press conference called by the British Industries Committee on South Africa, a new pressure group of UK companies with assets in the country. The group is campaigning against economic sanctions on the grounds that they would fail to bring political reform.

# Speakes warns of damage to US-Soviet links

BY STEWART FLEMING, US EDITOR IN WASHINGTON

THE REAGAN Administration has issued a public warning that failure by Moscow to release Mr Nicholas Daniloff, tha American journalist eccused by the KGB of spying, could have a "negative effect" on US-Soviet relations.

The warning, issued by Mr Larry Speakes, White House spokesman, came as Administration officials disclosed that Washington had proposed releasing into tha custody of the Soviet Ambassador in Washington Mr Gennadi Zakharov, a Soviet citizen held on espionage charges in New York. This would be done provided Mr Daniloff were released and returned to the US.

In Moscow Soviet officials yesterday said they had not received formal notice of the US proposal, which US officials said on Wednesday had been proposed to the Soviet Embassy in Washington in recent days.

The US has been seeking to ease the tension surrounding the arrest of Mr Daniloff. Officials have been making it clear they want to prevent the dispute from obstructing continuing negotiations between the two superpowers ahead of a planned meeting between Mr George Schultz, US Secretary of State, and Mr Eduard Shevardnadze, Soviet Foreign Minister, on September 19-20. That meeting is seen as crucial if progress is to be made towards a second summit between President Reagan and Soviet leader Mikhail Gorbachev.

Yesterday US-Soviet talks on controlling nuclaar tests resumed in Geneva and today arms officials are scheduled to begin two days of talks on arms control in an effort to move the arms control negotiations forward as part of the build-up to a possible summit.

On Wednesday, US officials did not try to mask their growing impatience with Moscow's decision to arrest Mr Daniloff, a reporter with US News and World Report, a weekly news magazine, on what Mr Speakes described as trumped up charges. Officials began to warn that unless tha situation were resolved it could, indeed, harm summit prospects.

**Patrick Cockburn in Moscow adds:** There is growing confusion over the contents of an envelope which Mr Daniloff had in his possession when arrested and which the Soviet authortes say show he was spying.

The envelope, handed to Mr Daniloff by a friend from Kirgizia in central Asia, before his arrest, was opened in his presence in prison. On Sunday he was reported to have told his wife it contained two maps marked "secret" and photographs of military facilities.

Mr Mortimer Zuckerman, the chairman of US News and World Report, who saw Mr Daniloff on Tuesday, said the eveloped contained photographs identical to some sent a year ago by Mr Daniloff's friend to the magazine for an article on Soviet troops in Afghanistan.

Mr Daniloff said the KGB security police claimed tha photographs were marked secret, but said he could not see any such markings.

Mr Zuckerman also denied maps were found by the KGB.

# Brazil close to winning endorsement for debt deal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRAZIL was last night within an ace of obtaining the commitments it needs from its commercial bank creditors to ensure the smothh working of its latest $31bn (£20.6bn) debt restructuring.

Under the terms of the deal Brazil will be granted a retroactive reduction in interest margins worth over $200m on medium- and long-term debt falling due in 1985 and 1986—but only if commitments covering 95 per cent of the arrangement are in by tonight.

The Citibank-led advisory committee has been racing against time to reach the targeted level of commitments ahead of today's deadline amid signs that soma creditor banks have been reluctant to endorse the restructuring scheme.

By last night the 95 per cent target had been reached for signatures covering part of the agreement which calls for 1985 maturities to be rescheduled over seven years and 1986 maturities to be rolled forward until next Marrch.

However there was still a small shortfall of commitments to the other portion of tha package which calls on lending banks not to cut the $15.5bn in short-term trade credit and money market lines they have collectively made available to Brazil.

Resistance to the package reflects continuing dissatisfaction among some creditor banks over the Brazilian Government's failure to honour the debts of private sector banks that failed last year as well as lingering concern over the Sarney regime's refusal to negotiate an International Monetary Fund economic adjustment programme.

Expectations among bankers on the advisory committee were that today's deadline would be met, but only just. If it is not, the planned cut in interest margins to 1¼ per cent from an averaga of around 2 per cent over London Eurocurrency deposit rates will not be retroactive.

One banker said that this "would be a slap in tha face" to Brazil, making even harder the negotiations on a longer-term rescheduling agreement which are due to start at the end of the year.

# Sao Paulo car industry 'near to stoppage'

By Ann Charters in Sao Paulo

BRAZIL'S CAR manufacturing industry is in a state of near paralysis because of shortages of components and the effects of intermittent strikes.

Mr Andre Beer, president of the National Automobile Manufacturers' Association, said car production would have to stop soon if problems were not resolved.

Production was down 8 per cent in August against July and sales were down 14.3 per cent because of lack of units.

Ford and Fiat placed workers on mandatory vacation in August because of lack of work and Volkswagen announced this week that 10,000 workers—more than one quarter of the company's workforce—would be required to take 10 days off in two plants because of supply shortages.

The main problem is the shortage of raw materials, specifically pig iron, aluminium and lead.

Until the current crisis, production was ahead 25.3 per cent over the first half of last year, and domestic sales were up 31.8 per cent.

# Haiti rejects reconciliation with Duvalier

A PUBLISHED request for reconciliation with Mr Jean-Claude Duvalier, the deposed Haitian President, has sparked angry refusal from tha Caribbean nation's Justice Minister, Reuter reports from Port-Au-Prince.

"It is not everyone that agrees to be bought," said Mr Francois Latortue, responding to a letter attributed to Mr Duvalier which was published in the New York newspaper Haiti Observateur.

The letter was addressed to Lt-Gen Henri Namphy, president of the new ruling National Council of Government.

The report said Mr Duvalier had hinted elsewhere he would consider negotiating for reconciliation "by restituting part of a fortune based on the figure of $300m."

Mr Latortue said the council had not received a proposal from Mr Duvalier, adding that extradition of the former leader for crimes against the peopla was not possible at present.

Haiti may try to extradite Mr Duvalier after elections in November, 1987, Mr Latortue said.

# Venezuelan oil projects

BY JOE MANN IN CARACAS

THE VENEZUELAN national oil company, Petroleos de Venezuela, (PDVSA) has announced plans to invest about $2.13bn in petrochemical projects over the next few years.

These investments will include some private capital from Venezuela and overseas and will be managed by PDVSA's petrochemicals subsidiary, Pequiven. Although Pequiven has not published details of production capacity and estimated costs for individual plants, its highest-priority projects are facilities for producing ammonia, sulphuric acid, polypropylene, caustic soda, aromatic compounds, ethylene, acetylene oxide and fertilizers.

Pequiven aims to increase capacity at some plants and instal facilities for making new products. An important share of new capacity will be directed towards export markets. Last year Pequiven had sales of almost $532m and after-tax profits of $80.5m. It exported 20 per cent of its production.

# US blocks Oxfam farm aid to Nicaragua

THE US Government is blocking a private relief agency from sending farm tools and other supplies to Nicaragua. AP reports from Washington.

The Reagan Administration refused an application from Oxfam America, a Boston unit of the UK-based relief agency, to ship to Nicaragua $41,000 worth of donated and purchased supplies, an Oxfam official said.

Supplies were said to include rakes, seeds, shovels, agricultural books, wrenches, chain saws, hammers and water pipes.

Mr John Hammock, Oxfam executive director, said the shipment to two non-government agencies in Nicaragua was intended to alleviete food shortages in the war-torn Central American country which has been the target of a US trade embargo for more than a year.

"We are dealing with the politics of hunger," said Mr Hammock. "This is a clear example of the Government playing politics with the poor overseas."

Although tha trade embargo permits shipments to Nicaragua to relieve human suffering the Administration'a denial, dated August 26, said Oxfam's supplies were rejected because "such transactions are inconsistent with current US foreign policy."

**Nancy Dunne** reports on the struggle for survival by the beleaguered space agency

# Nasa at turning point as funds are reduced

SEVEN MONTHS after the horrifying deaths of seven astronauts aboard the space shuttle Challenger, the National Aeronautics and Space Administration (Nasa) is engaged in a struggle for its own existence.

The once-proud agency which put man on the moon, is at a turning point. Space experts say that either it gets the resources and responsibilities it needs to reassert its command of the space programme, or it is doomed to decline. Its important functions would be parcelled out to the Pentagon, private industry and the National Academy of Sciences.

President Ronald Reagan has consistently praised Nasa and publicly sympathised with its plight, hut his Administration seems prepared to let Nasa take the downward path.

After months of indecision, the White House made public last month its plans to build a replacement shuttle for the challenger and to phase Nasa out of the commercial launch business tha announcement, so vital to America's future in space, seemed almost an afterthought.

It brought an immediate angry response from key Republican Senators including Slade Gordon, chairman of the committee overseeing Nasa operations, and Jake Garn, the first senator in space. The financing plans for the new shuttle were not enough, they said.

Senator Garn . . . angry response

They also expressed concern about "the direction and timing of the proposed removal of the commercial role of Nasa's operations." Many commercial payloads had been designed uniquely for the shuttle, they said, and some consideration ought to be given to companies which made significant investment in sucb payloads.

Tha Democrats were not slow to join in the criticism. Senator Donald Riegle Jr asked the General Accounting Office to study the growing disparity in funding for space activities between the Defence Department and Nasa. The space agency's budget, at less than $8bn in 1987, has been virtually unchanged for years, while military space activities have been expanded, and bave now reached double Nasa's budget.

Meanwhile, the Administration has rejected the recommendation of its own Space Commission to set clear long-range goals for Nasa, such as the exploration of Mars. Lacking an inspirational vision to sell its constituents. Congress has for years reduced the agency's budget.

In real terms it is now getting one-third of its funding in the days before the moon shots and its once impressive stream of planetry probes has come to an end. Only the longevity of some reconaissance satellites in orbit and an overcapacity in transponders has prevented an intelligence and commercial disaster.

Dr James Fletcher, the Nasa adminstrator who was reappointed to a second stint in the job last May, has worked hard to reinvigorate tha agency. He bas embarked on a series of management and organisatiooal changes designed to respond to criticism of Nasa's decision-making and commnnications deficiencies. Investigators, task forces and advisory groups have been appointed hut dissension has continued.

The investment of $8bn in a space station, pieces of which are scheduled to be launched aboard shuttles in 1992, came under fire from Mr Gordon Fullerton, a veteran shuttle astronaut, who said the station is poorly designed, too complex and lacking emergency escape systems and adequate living quarters.

Dr Fletcher named a group to re-examine the project, hut plans are in such disarray that the agency had to cancel a symposium on the space station scheduled for last month.

More troubles arose at the Johnson space centre in Houston, when Dr Fletcher proposed to remove some of its responsihilities as part of a reorganisation recommended hy the Presidential commission investigating tha Challenger accident. The Texas Congressional delegation rebelled, and Dr Fletcher had to promise that the reorganisation would cost only a few jobs.

Nasa's own advisory council has also rebelled. In a letter to Dr Fletcher the group worried that without long-range goals, the space agency will be unable to attract talented new employees. It complained that the agency was not planning to make rockets for solar system explorations or to provide the mixed fleet necessary to avoid reliance on a single, fallible system.

Even worse, said the advisers, the US technology base has been so eroded that Nasa would have little capacity to move out in new directions should the need arise.

According to Aviation Week and Space Technology magazine, top White House advisers who have direct access to the President either are "too technically unsophisticated to grasp the importance of rekindling an aggressive well-balanced space programme, or are preoccupied with other issues."

Space analysts are clear that leadership on the future of US space activity is desperately needed from the Administration. But the White House has so far been unable to see past its attraction for weapons systems and the President's personal dislike of raising the taxes needed for Nasa to survive in its present form.

**Martin Marietta Corporation said yesterday it would lay off up to 800 workers in the next four weeks at its Louisiana aerospace operations because of delays in the space shuttle programme, Reuter reports from New Orleans. Martin Marietta Michoud Aerospace, which makes the orange fuel tanks for the shuttle, said the National Aeronautics and Space Administration has 15 tanks on hand and will not need them until shuttle flights resume in 1988.**

# WORLD TRADE NEWS

## Bid to narrow trade policy split

BY QUENTIN PEEL IN BRUSSELS

TOP TRADE negotiators from the US, the European Community, Japan and Canada, yesterday began three days of informal talks to narrow their policy differences, and try to prepare a co-ordinated tactical approach to the upcoming negotiations for a new round of international trade liberalisation.

The talks in Sintra, Portugal, will be dominated by the agenda for the meeting of Ministers to the 92-nation General Agreement on Tariffs and Trade (Gatt) opening in Punta del Este, Uruguay, in 10 days.

Mr Willy de Clercq, EEC Commissioner for trade and chairman of the talks, is expected to try to steer clear of the most controversial subject—how to handle farm export subsidies in the new trade round.

None the less, it seems certain to be raised by Mrs Pat Carney, the Trade Minister from Canada, to step up the pressure on the Community to allow wider debate of agricultural reforms.

The main area of common ground on which tha four will try to agree tactics is the need to include trade in services in the new round, against the continuing opposition of some key developing countries.

Mr Clayton Yeutter, US Trade Representative, said before his departure for the Sintra meeting that it might not be possible to agree a common strategy—bu the aim was "to co-ordinate so that we fully understand each other's views."

Mr Hagime Tamura, Japan's Trade Minister, is likely to come under some pressure from the Community to accept the concept of a balance of advantages under the Gatt—that no country can indefinitely continue to enjoy all the advantages of exporting under the system, without ensuring that it imports as freely.

The other EEC concern is to ensure "globability" in the new round—that all areas of liberalisation are embarked on at the same time and in parallel.

Mr de Clercq is also keen to stress the link between trade problems and monetary problems such as the over-valued dollar and under-valued yen.

The EEC is most isolated on the question of agricultural trade reform, with France the member-state most adamant that it cannot accept a general aim

Mr Willy de Clercq.

of reducing export subsidies within a particular time frame.

Both the US and Canada are happy to go along with that, although Japan is mora equivocal.

## France draws lines for rugged farm debate

FRANCE HAS ensured that agricultural trade will be one of the two main areas of confrontation for the world's *trade ministers when they meet* at Punta del Este, Uruguay, on September 15 to decide on the start of a new round of international trade negotiations.

The other will be whether or how the negotiations should include subjects such as trade *in services, intellectual property* rights and trade-related investment not covared by the General Agreement on Tariffs and Trade (Gatt) that governs world trade.

The French staked out the lines for what Mr Clayton *Yeutter, the US Trade Repre*senative, forecasts will be a "rugged debate," at the end of July in the GATT committee preparing for tha talks. They then prevented the EEC from accepting the wording on agriculture in a draft declaration for the ministers.

Tha draft, formally presented by Colombia and Switzerland, was one of three which emerged from the committee. It would have been supported by the majority of Gatt's 92 members without the Community's defection over agriculture and is likely to be the basis for tha ministers' final declaration from Punta del Este.

Paris wanted the declaration to omit any reference to farm export subsidies and objected to a modified text stating that negotiators would consider a "phased reduction of the negative effects of direct and indirect subsidised competition on world markets."

It also sought to erase wording which would allow farm topics to be raised in any other body than the negotiating committee specifically appointed to deal with agriculture.

Brussels had announced earlier that the Community could not allow its Common Agricultural Policy to be put at stake *in multilateral negotia*tions. Sticking to the logic of that positioo and with help from Ireland, Greece and Spain, France compelled the other member-states to refuse Community approval of the Colombian-Swiss draft.

*Since then,* the *US has* repeatedly said it was interested in trade negotiations only if they aim et restoring sense to agricultural trade and include the "new" issues.

It has also continued an aggressive farm trade policy designed to make the EEC face realities.

Fourteen farm trading countries, including major grain and meat exporters such as Argentina, Australia and Canada, in August attacked as inadequate the treatment of farm subsidies in the draft declaration.

**Launching the new round**

At e meeing in Cairns, Australia, they agreed to insist on imorovements to the declaration, to commit countries to a reform of agricultural trada that would include "a marked reduction in the use of agricultural subsidies."

The farm production and trade policy of the EEC, the US and Japan were destroying agricultural markets and causing hardship to farms in non-subsidising exporting countries, Mr Bob Hawke, Australia's prime minister, said.

US and Community taxpayers each pay some \$25bn (£16.9bn) a year to support farm production and exports, and it is oow widely recognised, even within the Community that the time has never been riper to tackle what *Mr Yeutter calls the* "economic insanity" of the farm trading system.

Gatt estimates that world farm output has consistently grown faster than farm trade since 1980. Last year agricultural exports declined 1 per cent in volume and 6 per cent in value, while output was up by 2 per cent.

The crucial wheat market fell by 17 per cent last year, from 100m to 83m tonnes. US stocks of grains jumped by some 82m tonnes this year according to the Department of Agriculture.

It has lowered its price support for wheat from \$3.30 to \$2.40 a bushel from June 1 and has announced that it expects to cut the price further to \$2.28 next June.

*The greater susceptibility of* farm crops to fluctuations in output was one reason why agricultural trade was not originally integrated into the Gatt trade system.

Gatt Article XI is the most relevant to farm trade. It *stipulates that if a country can-*

**William Dullforce in Geneva looks at the thorny issue of agriculture which is set to be a major issue at Punta del Este, in this the first of a series on the Gatt talks**

not manage to protect its agriculture through tariffa and wants to take supplementing steps to sustain its domestic price support programme, then it must undertake simultaneously to restrict domestic farm output and commit itself to maintaining a minimum access to its market for foreign produce.

These are the key Gatt conditions for allowing a country to apply long-term, non-tariff protection to its farm industry. Had they been respected, the effect would have been to put a lid on ever-expanding, inefficient domestic production.

The US Congress' realisation that Gatt's Article XI was inconsistent with the farm legislation it was passing led the US to seek and obtain a waiver from Gatt rules for agricultural products in 1955.

Tha Reagan Administration has stated that it will put the waiver on the negotiating table, provided there is evidence that other countries are firmly committed to negotiate reform of agricultural trade.

In 1958, the European Common Market of the Six imposed its variable levy on imports. The levy equals the difference between the minimum price for EEC prodncers and the lowest price at which imports can *actually be obtained.*

Thus, in effect, another major trading entity had applied unilaterally a measure which fell outside the discipline implicit in Gatt's Article XI, thereby escaping the obligation to limit domestic farm output.

On the contrary, high farm *support prices, protected* by the levy, encouraged Community farmers to produce more than Community consumers could buy.

"Export restitution" payments to bridge the gap between domestic farm prices and the prices needed to sell abroad have subsequently turned the Community from a net importer to a major exporter of grains.

Attempts within Gatt to correct the situation in agricultural trade have been almost entirely fruitless. The last Tokyo round of multilateral negotiations produced a code on subsidies which proved to be more difficult to apply to farm products than the rules it was supposed to clarify.

In 1982 trade ministers decided to try again to integrate farm products into the free trading system and a Gatt committee formalised two approaches to export subsidies.

One would concentrate on improving existing Gatt rules and in practice would almost certainly result in market-sharing arrangements. It is the alternative preferred by the EEC, the Nordic countries and Switzerland. The other approach would start with a general prohibition of subsidies, but would allow exceptions in conjunction with improvements to the rules.

A prohibition with exceptions would have to achieve the right balance between allowing governments to maintain farm income support at a politically acceptable level and encouraging them to adapt to Gatt disciplines pushing in the direction of output restrictions. Under any liberalisation of farm trade the world market must be allowed to influence production levels.

The Gatt Secretariat suggests that negotiators could start by pursuing both approaches and decide later which is likely to be the more practicable. Meanwhile, the urgent need is for a commitment in principle by all agriculture exporting countries at Punta del Este to trade-liberalising negotiations.

The burden is on the European Community, France in particular, because, if the US is taken at its word, failure to make the commitment could halt the new round.

## Britain aims to block subsidies showdown

By Christian Tyler, Trade Editor

BRITAIN HAS accepted tha responsibility as current president of the EEC of preventing a political showdown over farm subsidies that could ruin tha launch of world trade negotiations in Uruguay later this month.

Senior trade policy officials of the Community meet in Brussels early next week to explore ways of committing the EEC to a draft agenda for re-negotiation of the General Agreement on Tariffs and Trade that already has majority support from the 92 Gatt member nations.

The Community was unable to endorse this agenda in Geneve last month because of objections, mainly from France, that it implied politically unacceptable revision of the Common Agricultural Policy.

Officials in London expect, therefore, that tha compromise necessary to bring all EEC states into line will have to be hammered out at ministerial level during the Gatt meeting in Punta del Este that opens on Monday week. The issue is likely to dominate the week-long gathering.

Tho agriculture problem is described as "absolutely crucial" in Whitehall, where it is accepted that without a compromise on agriculture there will be no ministerial declaration and no prospect of negotiations to liberalise world trade.

The EEC is under enormous diplomatic pressure from rich and poor agricultural producing nations, led by Australia, for a clear commitment to negotiate tighter rules on all farm production subsidies and tha eventual removal of export subsidies.

A carefully phrased commitment on agriculture was made by EEC Ministers in July, and earlier commitments are referred to in the majority draft declaration drawn up by Colombia and Switzerland for the Uruguay meetiag.

But it has fallen to the UK as president to try to sort out internal EEC differences in a way that will satisfy demands from the farm-trade militants and allow the Gatt negotiations on a wide range of trade issues to get off the ground.

Despite the urgency of the diplomatic task, officials argue that too much momentum has gathered behind the new trada round for ministers to allow it to collapse et the first fence.

## Borg Warner shuns Japan import talks

*By Carla Rapoport in Tokyo*

BORG WARNER, US vehicle parts manufacturer, has decided not to participate in the US Government's efforts to increase Japanese imports of American car parts.

Mr Bruce Smart, US Under-Secretary of Commerce, opened discussions with the Japanese on car parts earlier this month, charging that "US parts suppliers are not welcome within the inner circles of Japanese auto companies."

Borg Warner, however, which has its own production plant and two joint ventures in Japan, has opted not to support the US Government's initiative.

"Wa don't like the idea of using pressure from governments. It's not good from the Japanese auto makers' point of view and it's not good for our long-term relationship with them," said Mr Sumio Iwai, an executive with Borg-Warner KK, the company's Japan affiliate.

According to US embassy officials in Tokyo, this is the first case of a US company choosing not to participate in the so-called MOSS (market-oriented, sector-specific) talks started last year by President Ronald Reagan and Prime Minister Yasuhiro Nakasone.

An embassy official yesterday said that the US Government would not coerce a company into supporting the talks.

During his recent visit to Japan, Mr Smart stated that US car parts suppliers had less than 1 per cent of Japan's \$30bn (£20bn) market. Automotive trade—vehicles and components — represents almost half of the trade imbalance between Japan and the US, he said.

The US has been pressing the case for increased imports by holding out the threat of increased protectionist legislation against Japan.

Borg-Warner, however, says that threats of protectionism and government pressure tac*tics will harm their relations* with Japanese companies.

## Jaguar faces US fuel penalty

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAGUAR, the UK luxury cars group, faces a fuel consumption penalty of more than \$8.5m *(£5.7m) this year* in the US where it sells about half its annual output. The penalty comes under CAFE (corporate average fuel economy) regulations.

The company also will pay about \$20m in "gas-guzzler" *tax on the record 22,000 cars it* expects to sell in tha US this year.

Sir John Egan, Jaguar chairman, says this is a small price to pay to be able to sell in the world's largest luxury car market.

*The company expects to cut* its CAFE fines and "gas-guzzler" taxes by half, once its new saloon—code-named XJ 40 and due to be launched shortly in Britain—is widely available in the US.

In 1985, Jaguar became the first car group to pay a CAFE "fine"—£7.8m—for failing to meet the US government's mandatory standards for fuel consumption across its range of saloons and sports cars sold in the US.

Other companies also fail to meet the current standards, an average fuel consumption of nu more than 26 miles to the US gallon across the range of cars they offer, but must have built up "credits" in past years to offset fines they would otherwise have to pay.

While Jaguar pays the CAFE fina in one lump, the "gas-guzzler" tax is incorporated in the list price of its cars and in theory is paid by tha customer. In practice, however, manufacturers absorb the tax.

*Jaguar sold* 1,676 cars in the US last month, a record for August and up from 1,392 in August, 1985. The group expects to doubla US sales by tha early 1990s with the belp of the XJ40 and has been spending beavily to reorganise the dealer net*work.*

But the \$7m *allocated for this* programme since 1984 will be adequate, according to Mr John Edwards, finance director.

Tha current dealer network of 170 will be cut to 150 and severance terms have been agreed in all but four cases which will be sattled by legal actions.

Jaguar says its US dealers were not responsible for its fall in the rankings in the influential J. D. Power "Customer Satisfaction" index for 1985, when the company slipped from fifth to 11th place among the 32 manufacturers selling cars in the US.

Two car re-calls, one to change a fuel line and another to change a deficient radio, counted against the company last year.

During the past two years, Jaguar has been re-establishing its position in West Germany, and next year is to mount a major drive in Japan, the last big market in which it has yet to make progress.

Jaguar is setting up its own sales company in Japan and hopes within two years to boost registrations there from about 400 to more than 2,000 annually.

## Danish group places order for 5 ships

By Hilary Barnes in Copenhagen

THE AP Moeller Maersk Shipping Company has placed an order for five vessels—two product carriars and three container ships—with the Odanse Steel Shipyard, which is owned by the group.

This is the first significant order received by any Danish shipyard since December 1984 when the Folketing (parliament) stopped a system of tax-los partnership investments in shipping.

The government and main opposition parties agreed last month to relax the rules. Moeller said its order was placed as a consequence of the change.

## Soviet moves will step up drive for orders

BY PATRICK COCKBURN IN MOSCOW

THE END of the monopoly powers of the Soviet Foreign Trade Ministry from tha begin*ning of next year is likely to* lead to increased foreign competition for contracts in Moscow because traditional links between foreign suppliers and the ministry will be disrupted, say diplomats.

*In future, individual minis*tries and some big enterprises will be allowed to trade on their own account and control part of their hard currency earnings, diplomats add, The Ministry of Foreign Trade will continue to deal with big projects.

Although the Soviet Union has cut its imports because of the fall in hard-currency earnings from oil and other raw materials, the change in the way Soviet foreign trade is organised is likely to lead to Western companies seeing if they can *displace suppliers* who previously dealt with the Foreign Trade Ministry and its Foraign Trada Organisations.

The reorganisation, the most radical restructuring of Soviet foreign trada since World War II, has been planned for over a year but was delayed wben Mr Boris Aristov was appointed Foreign Trade Minister last year.

*The ministy has* seen a very rapid change-over in senior personnel in recent months, including a clamp-down on corruption.

This has coincided with a re-ordering of Soviet economic priorities with emphasis now being placed on refurbishment and high technology rather than the purchase of complete plants. Most companies bidding for projects put out to tender during the 1986-90 Five Year Plan have been disappointed.

Two British companies, John Brown *and Davy McKee,* bidding for two chemical projects, originally reported to be worth more than £1bn, are still waiting to see if scaled-down versions of the schemes will go ahead.

Marubeni of Japan did sign a Y15bn (£66m) pact for the *supply* of an acetic acid plant last month — renegotiated because of the rise in the yen —but most petrochemical projects have been abandoned, reorganised or rescheduled.

Delays may also follow the retirement of Mr *Vladimir* Listov, the Chemical Industry Minister in August and his replacement by Mr Yuri Bespalov. Another minister in the same sector Mr Alexei Petrishchev, Minister for Mineral Fertiliser Production, died last Saturday and his replacement has not been announced.

**HUNGARY is to import 25,000 Opel cars from West Germany *over the next five years* and will pay for them with truck components, Leslie Colitt writes.**

**The deal is to be signed shortly between General Motors of the US, which owns Opel, and Raba ETO, a leading Hungarian *engineering* company.**

**Hungary held talks with several Western car manufactures on a counter-trade *deal* which would not involve it spending precious hard currency. Hungary makes trucks (Raba) and buses (Ikarus) but not cars.**

**It imports about 100,000 cars a year, nearly all from the Soviet Union and Eastern Europe, but they are unable to boost deliveries to Hungary to meet demand.**

## RESEARCH FUNDING

**David Fishlock** describes the changing role of Britain's biggest civil research centre outside the nuclear industry

# Envious eyes cast on Rutherford laboratory's budget

A SINGLE laboratory in Oxfordshire consumes almost a tenth of Britain's national science budget. At a time when this budget is under severe strain, with the Government's scientific advisers pleading for another £35m next year, it is inevitable that envious eyes be cast at the £60m allocated to the Rutherford Appleton Laboratory at Chilton.

This is Britain's biggest civil research centre outside the nuclear industry. Its critics include the international science journal Nature and Sir Douglas Hague, chairman of the Economic and Social Research Council, who believes "one of the things Britain is worst at is closing things down."

Prof Sir David Phillips, chairman of the Advisory Board for the Research Councils, which counsels the Government on science spending, admits there is a lot of mumbling about the Rutherford.

The original post-war role of this laboratory—atom-smashing with an accelerator called Nimrod—gava way long since to activities spanning tha spectrum of tha physical sciences. Here, says Sir Douglas, is a laboratory which spends almost as much on itself as the total of the research grants to academics to whom it provides services. Too much of Britain's science budget may be going into self-perpetuating "bureaucratic science," he believes.

He questions the recent decision to site the new Cray supercomputer for the use of Britain's university scientists at RAL this year. As host to this £13.5m facility, the laboratory will become almost immune from any further challenges to its future in British science, Sir Douglas says.

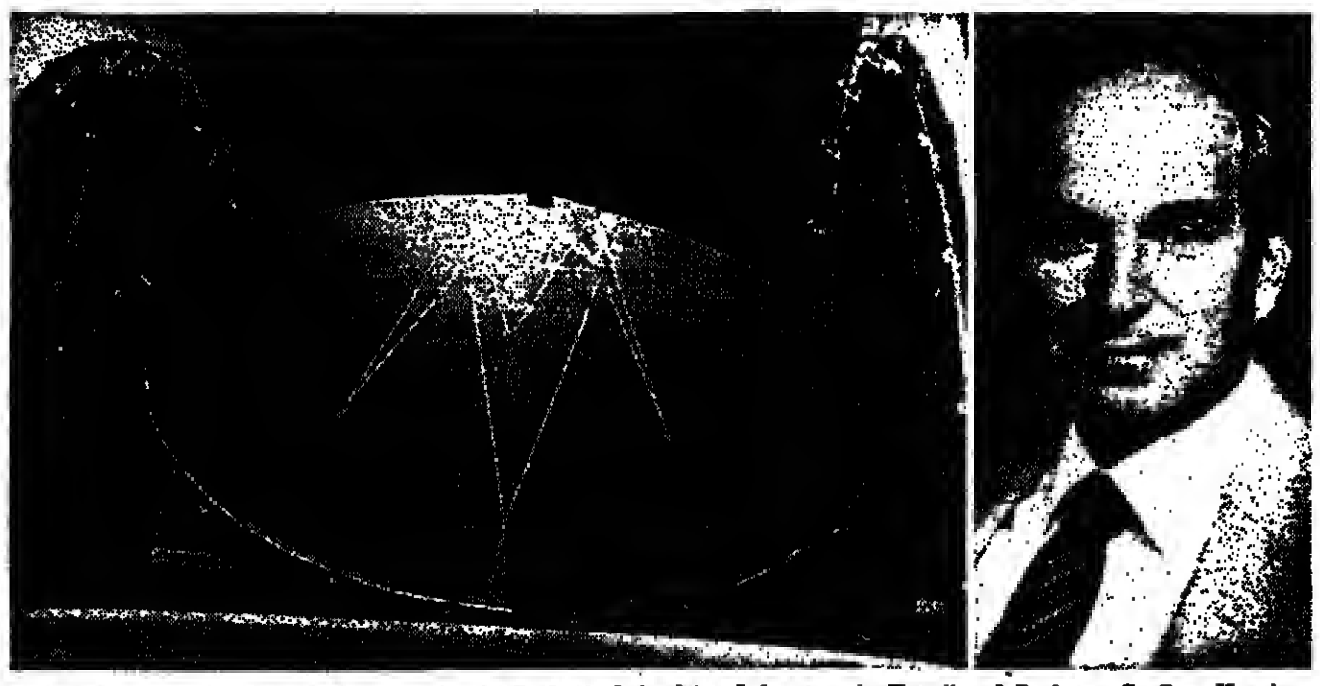
The laboratory epitomises big science in Britain. Its activities include such costly areas as national support for Britain's membership of CERN, the European Laboratory for Particle Physics, near Geneva, and for space science at the European Space Agency in Paris, as well as providing the hub of a national computing network that serves British universities. For the astronomers, it has just built a unique kind of telescope, 14,000 ft up a mountain in Hawaii, at a cost of about £10m.

Its most expensive instrument has cost £60m. This is Isis, an atom-smasher used not to explore tha fundamental structure of matter as at CERN, but as a microscope that can penetrate everyday problems—posed by metals, powders, catalysts, chemical reactions, living cells—to understand how they behave. Instead of lightwaves, Isis uses a shaft of neutrons.

Isis illustrates a fundamental misunderstanding on the part of critics about RAL's role, its management believes. This is an expensive facility which supports a lot of little science. Isis is being used by about 400 university scientists, who bring along their experiments and are allocated time on an instrument RAL tries to keep running round the clock, for about 5,000 hours a year. RAL even pays the travel expenses.

As Prof Geoffrey Manning, RAL's director, sees it: "We have 4,000 highly intelligent, impatient people making demands on tha laboratory." These are the scientists in British universities and polytechnics who share time on such powerful instruments as Isis.

Under such pressures, he argues, it would be very difficult for RAL's staff not to stay on its toes. It is neither a dominant nor a servile role, but a genuine collaboration of scientific interests by RAL and its users, his managers say. In another five years, tha laboratory's programme will have changed again "because tha requirements of science are changing."



The Anglo-Dutch 300mm telescope built by the Rutherford Appleton Laboratory in Hawaii and Professor Geoffrey Manning, RAL's director.

But the critics point out that Isis was originally conceived by the laboratory itself as a way to survive in big science, not in response to potential users. If it had not been built, many other parts of science might have benefitted from the cash.

RAL is not really a research centre. It does some research of its own, to help convince its collaborators that it knows what it is talking about. Of a staff of 1,444, about 300 spend part of their time on research. But it is always research in support of the highly sophisticated scientific services RAL offers, and it accounts for only 7 per cent of the budget, Prof. Manning asserts.

Thus RAL is a multi-purpose laboratory, spanning a spectrum from the smallest to the largest measurements in science—from measurements on sub-atomic fragments to celestial spacings. It requires engineering of an order unobtainable in British industry.

RAL's central alser facility, managed by Dr Mike Key, is not only exploring the frontiers of loser design and engineering in competition with big US, Japanese and French laboratories, but also offers a wide range of services, increasingly to biological and medical scientists.

These life scientists have a considerable interest in an X-ray laser of a particular wavelength, about 40 angstrom, to take advantage of the "water window" so that they can illuminate living cells. Through the engineering development of its powerful Vulcan ultraviolet laser, in a joint effort involving three British university teams, RAL has come closer this year than any other laboratory to the coveted X-ray laser, with a wavelength as short as 81.91 angstrom. US laser scientists at one laboratory, with about 100 times RAL's laser budget, call it "the best value for a buck in laser science," Prof Manning asserts.

But the facility whose service spreads most widely across UK science is central computing, managed by Mr Douglas House. Mainframe computing has been run as a business for more than a year. It has 2,000 subscribers in British universities and can handle 350 concurrent users, Mr House says.

JANET, the Joint Academic Network, connects all university sites and all the laboratories of the Science and Engineering Research Council and the Natural Environment Research Council. A gateway developed by RAL joins JANET with EARN, the European Academic Research Network of another 800 computers.

But RAL is taking pains to establish the Cray supercomputer as a separate facility under Mr House. The decision to set up this new national facility was reached by a joint working party of the Advisory Board for the Research Councils, the Computer Board for Universities and Research Councils, and the University Grants Committee. Its report last year found that, "for quite modest expenditure, a supercomputer can meet the needs of a large number of users to solve complex problems in all areas of science. Not only is it an essential tool for research but it is also extremely cost-effective." It recommended purchase of the Cray, and RAL as its location.

Mr House hopes to have his Cray service running within six weeks of receipt this winter. Who can use it will be decided by peer review. How time will be shared will not be a problem until its capacity is saturated.

This raises the question of whether what is evidently a "centre of excellence" in British science should not find substantial earnings outside the hard-pressed science budget. The most compatible way to bring in money is to internationalise instruments such as Isis, so that the research budgets of other countries help pay for their further development.

RAL is aiming to ensure its survival by making itself indispensable to science. It can be argued that the growing interest in Isis shows how farsighted it was in anticipating the needs of its users. It can also be argued, of course, that scientists might as well use it because it is there.

An obvious pitfall for RAL is that it will come to be seen by scientists as simply a collection of very sophisticated and very disparate services, operated on their behalf with no central creative role of its own. This would be very frustrating for Prof Manning and his directors, and would probably reduce any chance of an idependent research programme.

One opportunity for more independence is for RAL to earn more money outside the science budget. It has the freedom to undertake research on commission up to 10 per cent of its budget, if the work is compatible with its programme.

Another proviso is that such research shall not hamper free access by its 4,000 current users—that is, shall not be classified. Prof Manning recently spelled out for staff his own rules, under which he is willing to participate in such work as laser weapon research for the US Strategic Defence Initiative. Above all, RAL must remain open to all-comers, he says. Its chances of landing a £10m contract to build a big excimer laser with SDI funds appear to have diminished this summer.

RAL has not been very successful in selling its science to industry. It earns only about 1 per cent of its budget in this way. Prof Manning believes it can find a much bigger role in helping to transfer technology from universities into industry.

"It's like prostitution—it was frowned upon," he says of past academic attitudes towards commercial exploitation. But he has began to explore several ways to win more attention from industry, including the possibility that the British Technology Group might act as his business managers.

The laboratory wants to engage, ideally, in joint ventures with industry. One which the laboratory hopes to persuade Rolls-Royce to co-finance is a remarkably revealing method of measuring temperatures throughout a gas turbine when running, using a beam of neutrons from Isis. It could lead to the development of a compact source of neutrons convenient enough for Rolls-Royce to put on an engine test bed.

## TECHNOLOGY

# Quick data link goes on trial at Harvard

By Louise Kehoe in San Francisco

COMBINING packet-switching data communications techniques with fibre optic cable technologies, NYNEX, the New York telephone company aims to provide a relatively low-cost method of linking computer systems.

To prove the system, Harvard University, in Boston, has agreed to co-operate in a trial that will link four of the University's major computer facilities. The NYNEX funded experimental system will provide a high-speed data link between the computers, using existing fibre optic telephone lines.

This so-called "Metropolitan Area Network" (MAN) will carry data signals at e speed of 10 megabits (1.25m characters) per second, about 178 times faster than current systems.

MANs, such as the one to be tested by NYNEX at Harvard, are a topic of increasing interest in the computer communications industry. A MAN provides high capacity data communications at speeds normally found only on local area office networks over geographic areas as large as a city.

A major advantage of MANs is that they can be expanded or reduced quickly with little or no change in fibre facilities, responding immediately to changing service demands.

"With the data communications market growing at an annual rate of 15 to 20 per cent, and an expected five-fold increase in private computer networks by 1990, the need for high-speed, high-capacity transmission and for network integration becomes obvious," says Nagappa Pattanashetti, manager of network planning at NYNEX Service Company, which is co-ordinating the Harvard project.

He notes that packet switching combines flexibility and great speed, whila fibre optics gives the wideband capacity needed to carry the packet signals over great distances.

He characterised the trial as "a major step in NYNEX's evolution toward a wideband integrated services digital network (ISDN) in which voice, data and video signals will all be carried over the same band of fibre optic cable."

The high capacity of MANs will make high-speed data applications between processors more cost effective and will even spawn new applications, NYNEX believes.

The primary goal of the Harvard trail is to interconnect local area networks (LANs) located at various university facilities. These LANs will be able to communicate with each other over the MAN. The high capacity, comparable to that on the LAN itself, will avoid bottlenecks during transfer of inter-LAN traffic and will create an environment more conducive to distributed processing and sharing of databases.

New England Telephone will plan and instal the fibre optic system connecting the Harvard computer centres to three telephona central offices. Bell Communications Research Inc will provide modified switching and develop the software needed for the trial project.

# Salomon's sense of theatre brings down the roof

**David Lawson looks at how the US financial group set about creating the largest dealing room in Europe**

IMAGE IS becoming a powerful force in the modern City of London. Business can hinge not just on doing well but he seen to be doing well.

One of the most potent signs of success today is the noise and fury of a trading room, crammed with endless rows of advanced electronic equipment and screaming traders, making deals worth billions of pounds at the opening of the New York market or after some crucial economic news.

In the run-up to the deregulation of the City markets, the Big Bang on October 27, the financial institutions have been scrambling for buildings with the space for such dealing floors and the capacity to handle new technology. Usually they have had to move out of the heart of the City to find suitabla premises, something that soaring rents and restrictive planners have never previously forced them to do.

But ripples of shock ran through the City when Salomon Brothers, one of the world's leading financial groups, decided this year to move out as far as Victoria, well to the west of London's financial heartland. Even more surprises were io store when plans were revealed for the way Salomon's designers aimed to convert the new building over Victoria station to meet the bank's unusual demands.

Salomon was not interested 'n merely creating a standard giant floor of dealing desks like its competitors. What it wanted was to reprodnce the sense of theatre of its main trading area at the company'e baadquarters in New York, a double-storey space known simply as "The Room," where VIPs can look down on the drama and tension of the floor below.

"It is the image of this floor being the hub of the financial market that is important," says Mr Stephen Swicegood, mansging director of Heery, the US architects and engineers who have carved a niche in the UK by helping ease American companies into the British way of construction.

Heery had originally short-listed buildings closer to the City core, around Liverpool Street Station and on the south bank of the Thames, but the cost of conversion or the refusal of developers to countenanca such radical changes ruled out these sites. Salomon was getting desperate, as it wanted its operation up and running by the October Big Bang deadline.

Then its property advisers Savills put their heads together with Heery and realised that the development over Victoria Station had been built with two atriums big enough and high enough for the over-size dealing room. It was enough to draw Salomon far out of the traditional banking area, but raised enormous technical problems.

"The first was that the open space had not been designed for people," says Mr Swicegood. "There was no power, no lights, and no other services—yet we were aiming to put in the most highly serviced of operations." This was a minor matter, however, compared with the problem of taking away an existing two-storey link block within the open space and bringing the roof level down from the fifth to the second storey. The room needed height for dramatic effect but not the full height of tha atrium.

Fitting an internal false roof seemed feasible to Heery. This would have the added advantage of blocking the view of other tenants in the upper stories. But just to add to the difficulties, the building had been designed to its structural limits because it was built over the station on a restricted number of columns reaching down to the tracks two levels below.

That meant any extra weight was restricted to that of the demolished link block, and all this had to be supported on a few columns rather than fixed to the surrounding building.

Salomon also came up with a further restriction to test the engineers and prove its determination to have the right sort of operation no matter what the cost. It decided to limit the lease terms to three years duration in case it decides to move back into the City in the near future (even though it has longer leases on the rest of the space in the building). This meant the whole lot had to be easily removed within a short time.

After much discussion with UK engineers Anthony Hunt the solution involved an internal floating roof suspended by steel cables from extensions built onto existing columns and threaded into the side of the building. Britain leads the world in these sorts of structures—through coping with work by architects like Richard Rodgers—but Mr Matthew Wells, the project engineer, says it is the first time the method has been used indoors.

The roof contains all the special lighting and air-conditioning required for a dealing floor. This had to be independent of the rest of the building because long trading days are different to normal office hours. Large amounts of aluminium were used to keep down to the 260-ton weight limit.

As a final test of the designers' ingenuity, Salomon asked for the structure to be hung from two columns rather than three, giving extra uninterupted space to the 13,500 sq ft dealing floor.

This technical triumph will produce the largest dealing floor in Europe when "The London Room" switches on next month to wind up for the Big Bang. More than 300 desks will fit into the hooded atrium surrounded by other dealing operations in offices and viewing areas around the complete 55,000 sq ft floor.

If everything goes well, Salomon may find its outpost to the City comfortable enough to stay in. "After all, many of the directors may like the idea of walking to work from their homes in Belgravia," says Mr Swicegood.

If not, the whole lot could be taken to pieces again in e few years.

Victoria Plaza: Away from the City but big enough to house Salomon'e "London Room."

# Ceramics boost to gas turbine efficiency

By Geoffrey Charlish

CERAMICS FOR gas turbine components that will improve the efficiency of both aero and industrial gas turbines are under development at AE of Rugby, UK (0788 816677).

Conventionally, gas turbine airfoil blades operate in gas temperatures exceeding 1,300 deg C, higher than the melting point of the superalloys used to make them. The blades have to be cooled using air from the compressor section, which uses power.

Under Department of Trade and Industry sponsorship, the company has developed materials which substantially maintain their high strengths at temperatures likely to be found in future gas turbine applications.

# Hitachi has designs on sharper colour

HITACHI, has launched what it describes as an ultra high resolution colour monitor for computer aided design and manufacture or business graphics applications.

Designated the CM2087A, the 20-inch monitor has a 1664 by 1248 dots resolution. The cost of the basic machine is £5,000. More information from Hitachi on 01-848 8787.

# How big-magnet research in Britain has become torn between two fields

OUT OF THE BACKROOM

by David Fishlock

SHOULD Britain back its own scientific — and commercial — success in inventing powerful new kinds of magnet and uses for them? Or should it pool its expertise with that of European scientists to create a major new multinational research facility near Grenoble in France?

European scientists with an interest in very high magnetic fields gather in Grenoble next month to try to resolve the best way of meeting their research requirements in a very fast-moving sector of science. It is science, moreover, that underpins a broad swathe of high technology, from chemical, biochemical and medical assay to new semiconductors and superconductors.

At issue is the plan of the Clarendon Laboratory in Oxford, one of Britain's biggest physics departments, for a national magnet laboratory. The original plan dates back to the early 1960s when Sir Martin Wood, founder and deputy chairman of the Oxford Instruments Group, was providing the Clarendon with a reliable supply of magnetism, as manager of its high field support group. His job was to put magnetism "on tap" as freely as electricity or water.

His plans were shelved when the government said it would finance them provided the national magnet laboratory was built at Newcastla University, in the interest of dispersing science more uniformly throughout the country. Wood put his energies instead into his fledgling company, making magnets to the special requirements of scientists.

A quarter-century on, with the magnet laboratories Wood had designed for the Clarendon now inadequate to meet the scientific demand, his plans have been dusted off and updated by Harry Jones, the physicist who now manages the Clarendon's high field support group. But the latest scheme still centres on a remarkable facility that the Clarendon first acquired in 1947, round which Wood had laid his plans. This is an old Metrovick motor generator, a veritable "Rolls-Royce" of its kind, which provides 2 Mw of power for many of the magnet experiments. For Jones, as for Wood in the 1950s and 1960s, keeping this machine in peak condition is the premier task.

The Clarendon has presented the Science and Engineering Research Council with a new scheme for a national magnet laboratory in a new building adjoining its Mullard Cryomagnetics Laboratory. Magnet design has progressed apace, for 25 years ago there were no superconducting magnets. Today the researcher can choose from three sources of high magnetic field — conventional electromagnet, superconducting, and pulsed — each having its own distinctive experimental characteristics.

With new magnet designs, the old Metrovick motor generator still provides the most stable and convenient source of high field—up to 13 tesla. The national magnet laboratory, as now envisaged, would still need tha machine as well as many of the Clarenden's unique magnets, such as tha large superconducting magnet wheels which can be shuttled between different laboratories.

It would also need its hybrid magnet, combining the technologies of the electromagnet and superconducting magnet, which Jones believes "must be the most heavily used big magnet in the world." But the hybrid, now 15 years old, badly needs an expensiva refurbishment, he says.

The tradition of his magnet group has always been to provida the researchers with a dependable service, not to establish a monument to science. "We never set out to break records in having the highest field."

His current scheme would cost the research council "a few millon pounds"—perhaps £2m a year for three or four years—to implement in full. Compared with some of the schemes for "big science" it is fairly modest, but nevertheless comes at a time when the nation'e science budget is severely stretched, with many more worth-while proposals than it can hope to fund. One of the scheme's staunchest proponents, Prof Bill Mitchell, former director of the Clarendon but now chairman of the Science and Engineering Research Council, must above all be seen to be fair in adjudicating on new investment.

There are also new pressures on British science to internationalise its own major research investments and, if it wants other countries to join in and help pay for British instruments, it must co-operate readily in new European schemes. Such a scheme is a new European magnet laboratory proposed for Grenoble.

The big change from when Wood was planning a national magnet laboratory in Oxford, in the 1960s, is that today "there is a cast-iron demand for high magnetic fields." He knows, having built up a company supplying this demand, initially for laboratory research and then, as commercial opportunities such as nuclear magnetic resonance (NMR) and NMR medical imaging opened, with lucrative production runs of high field magnets.

Britain cannot afford to opt out of having its own "centre of excellence" in research needing such magnets, he says. He doesn't oppose plans for Grenoble but thinks that for a modest sum the Clarendon could continue to fulfil a strong need among British scientists.

His own company—probably Britain's most successful example of a university spin-off—"does benefit from having a very active science community just round the corner." The Clarendon also still does the quality acceptance tests on the 2.5 tonnes of superconductor it winds into magnets each day.

Oxford Instruments has its own science and engineering of magnets, reckoned to be absorbing over 10 per cent of turnover. It has successfully tested a new design of 600 megahertz NMR magnet with 20 per cent higher field strength than any other commercial NMR magnet. It also successfully tested last month a £1m magnet for Cornall University physicists.

A design team led by Martin Wilson, one of the world's foremost magnet designers, wooed from academe, is engaged in several highly ambitious projects based on superconducting magnets. They inclnde a miniaturised synchrotron (atom-smasher) the company sees as the microchip-making machine tool of the future, when line widths are as fine as half a micron or less. Another is a miniaturised cyclotron for the manufacture of radio-isotopes, weighing perhaps 1 tonne where today's technology is 20 times as heavy.

Sir Martin Wood, who nowadays has special responsibility for Oxford Instruments' links with universities and research centres, says his company will help fund the national magnet laboratory provided it gets the backing of those who administer the science budget.

# UK NEWS

TRADES UNION CONGRESS IN BRIGHTON

## Strategy for next election wins delegates' backing

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the Trades Union Congress (TUC) will end their annual congress today in the main united, after a vote yesterday in favour of the TUC's proposals on nuclear power and a unifying demonstration of anti-apartheid solidarity on South Africa.

The TUC will broadly have achieved its principal objective for this year's session of trying as far as possible to draw together behind a series of proposals, either worked out with or supportive of the Labour Party, in the hope that a unified trade union movement will increase the party's chances at the next general election.

Yesterday's orderly proceedings at Brighton mean thet over the week the TUC leadership has secured congress approval of key joint Labour-TUC policies on employment law and the economy and has weathered the storm over nuclear power.

Only on the Wapping printing dispute was there division – and in electoral terms, that is regarded by Labour and the TUC as much more marginal.

The relative success of the week is also being seen by union leaders as both an achievement and endorsement of Mr Norman Willis, the TUC's general secretary, whose ability to do the job was anonymously questioned by some union leaders before the congress started.

Yesterday's substantial backing by delegates for the TUC leadership's proposals for a freeze of and inquiry into nuclear power, and their rejection by the tight majority of 4.64m votes to 4.58m of a left-wing policy for the phasing out of nuclear power, gave the TUC general council an unexpected boost.

The debate on the issue was widely regarded as impressive, with many claiming it to be the best at a TUC congress for many years.

Mr Arthur Scargill, president of the National Union of Mineworkers, and one of the leading anti-nuclear proponents, said that the tightness of the winning majority showed clearly how many unions had come out against nuclear power. But Mr John Lyons, general secretary of the Engineers' and Managers' Association, said that, while the vote had been tight, the TUC had rejected the anti-nuclear option, and the anti-nuclear tactic of leaking the Labour Party's plans in advance of the congress debate.

Labour will publish at the week-and its plans for gradually phasing out existing nuclear plants. It much tougher proposals mean that the party and the TUC are not at present wholly in line on the issue though joint talks on it are likely following the Labour conference in just over three weeks, focusing especially on the issue of replacement employment for the jobs that would be lost in the decommissioning of plants.

## Nuclear power ban rejected

CONGRESS yesterday voted by an extremely narrow margin against a ban on the UK's nuclear power programme, including the phasing out of nuclear power plants, **Philip Bassett writes.**

It supported instead the position of the TUC general council in its document on the industry, calling for a freeze on all work while a thorough study is carried out. Delegates voted, with the TGWU transport workers and Tass manufacturing union leading the opposition, in favour of this report by a substantial majority.

Moving the anti-nuclear resolution, Mr Ken Cameron, general secretary of the FBU, firemen's union, described it as "realistic." Referring to the Soviet nuclear plant disaster, he said: "The writing has been on the wall for nuclear power for a long time, but it took Chernobyl for us all to see it.

"Some technologies are so inherently catastrophic in their consequences that we simply cannot abide by them."

He pointed out that the TUC's proposals did not go as far as those to be published formally by the Labour Party this weekend.

Mr John Lyons, general secretary of the EMA, which represents power station engineers, said to audience shouts of "rubbish" that it was "inconceivable" to those engineers that the Chernobyl accident could happen in the UK.

He stressed that unilateral abandonment of the nuclear industry in the UK would not affect nor limit the impact of any accident at nuclear power stations abroad – 200 of them, with 101 under construction.

Mr Gavin Laird, general secretary of the AEU engineers, said that the British nuclear industry was the safest of its kind in the world.

## Total South African boycott urged

DELEGATES united in support of a call to strengthen the boycott of South African goods and to press for a complete embargo on all trade, commercial, financial, cultural and sporting activities with the apartheid regime, **David Brindle writes.**

In an emotional debate, speaker after speaker maintained that the labour movement would have to lead the anti-apartheid campaign in the UK because the Government had abdicated responsibility for doing so.

Delegates, almost all of whom sported red carnations to signify support for reform in South Africa, voted measures including pressure on pension funds to withdraw investments in companies with South African links and pressure on UK employers to stop use of South African food in works canteens.

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, said the unions had to approach the campaign with the same fervour as Clydeside trade unionists had once tackled social injustice in Britain. This should include refusal by workers to handle South African products

Mr Alan Tuffin, general secretary of the Union of Communication Workers, claimed the Government might be refusing to support sanctions against South Africa because of companies' business links. Last year, he said, 73 companies with South African links had contributed a total of £1.2m to the Conservative Party.

## Unilever to have fund managed externally

By Clive Wolman

THE £1.6bn of assets in the UK pension fund of Unilever, the Anglo-Dutch food and detergents group, are to be handed over to external investment managers, the company announced yesterday.

The large investment management contracts on offer are expected to lead to the second battle this year involving nearly all the largest City of London institutions, including banks, insurance companies, stockbrokers and independent investment houses.

Unilever will be only the second large UK pension fund to wind up its internal investment department and contract out the management. A similar decision was taken earlier this year by the £4.5bn British Rail pension fund.

There is a high probability that part of the Unilever fund will be managed on a passive basis, requiring no investment decisions to be made, so that its returns match those of a UK stock market index. Mr Raphe Langham, the Unilever pensions officer, said yesterday that the company would view such a proposal sympathetically as a result of its experience in the US where one of its pension funds has assets managed on a passive, index-matching basis.

Mr Langham said that the decision to disband the investment department, which comprises six managers, was taken because of the difficulties in building up sufficient expertise in all the investment markets. External management houses had more muscle and greater dealing skills which might become more important after the deregulation of the London Stock Exchange in October, he said.

Over the last five years, the fund's performance in UK equities has been above the pension fund average, but that edge was eroded by the relatively low proportion of the fund's assets held in shares in a period of rising stock markets. At the fund's year-end in March, 38 per cent of assets were held in UK equities, 17 per cent in overseas equities, 23 per cent in cash and fixed-interest stock and 9 per cent, an unusually high proportion, in index-linked government securities. The remaining £200m of assets in the fund, which are invested in real estate, will not be contracted out.

## Poor results at Lloyd's reflect PCW affair and liability losses

**Our Financial Staff** looks at insurance market's accounts

ATTENTION on the activities of the Lloyd's insurance market has tended to be concentrated on the problems of certain syndicates and the activities of certain of its working members.

The global accounts for 1983 issued yesterday by the Corporation of Lloyd's not only highlight the financial effect on the whole market of one of the major problem syndicates – the PCW Underwriting Agency. It also shows the impact of one sector of the insurance market – the liability account – on the overall results.

The accounting practices of Lloyd's syndicates, unlike those of the insurance companies, is to keep an account for a particular year open for three years before closing it and assessing the results. Thus Lloyd's is assessing the results of business done in 1983 – a year when insurance markets worldwide were still very much in their downcycle.

This is illustrated by the trend in combined premiums of all the syndicates in 1983 which amounted to £2.57bn – drop of £323m on premiums for 1982 – after years when premiums had been rising steadily.

All the major classes showed a drop in premiums, with the marine account down £142m to £768m, the aircraft account down £53m to £189m and property damage down £83m to £570m. This reflects the very keen competition for business that took place in that year, leading to premium cuts and loss of business.

However, the underwriting losses for 1983, at £114.69m, were some £73m lower than in 1982 although investment income was also down £25m at £416.89m. But when it comes to assessing the bottom line, then the effects of the PCW affair comes very much into the picture.

The overall profit, including the PCW syndicates, was just £35.8m, compared with £57.01m in 1982. The 1983 profit was the lowest global figure for two decades.

These figures would indicate that profitability generally at Lloyd'a was still in decline. However, if tha PCW losses are excluded, then global profits in 1983 were £179.14, compared with £130.23m in 1982 and £151.88m in 1981.

Of course even these figures pale beside the £263.82m profit in 1980 on a premium income of £1.86bn. But as Mr Peter Miller, Lloyd's chairman, points out, the trend is in the right direction, and he is cautiously optimistic that results for the next few years, excluding any further effects of PCW, will show profit improvements.

A further analysis of the results shows that there are just two problem accounts in the Lloyd's insurance market, the major one being its liability business, with the motor account also having problems.

Tha majority of Lloyd's liability business arises in the US. Insurers in that country have been having problems from inflated court awards on liability claims, to the extent that in some classes of liability business, such as medical malpractice, it has become impossible to get cover at a reasonable cost.

The underwriting losses of Lloyd's liability account in 1983 were £384.44m – more than the premiums of £312.43m – a situation that was seen in the 1982 results with underwriting losses of £425.13 on premiums of £346.15m. The bottom line loss in 1983, including PCW, was £285.5m, against £314.39m in 1982. Even excluding PCW, the results were very poor, with losses of £172.16m in 1983 and £226.87m in 1982.

Mr Miller points out that the liability account contributed 12 per cent of premiums and 100 per cent of losses. But he saw some hope for improvement in this account, with signs of increasing realism in the US, not only from higher premiums and tighter policy wording, but moves to implement reform of tort law, under which liability litigation is initiated.

Motor insurance is the problem sector for the UK insurance industry as a whole, and there was no way that the Lloyd's syndicates overall, with almost all their business coming from the UK, could buck this trend. Although an underwriting profit of £34.6m was made in 1983, compared with a profit of £40.13m in 1982, the bottom line showed a profit of just £6.87m against £22.25m in 1982 – PCW had no motor business. Indeed almost half the 41 motor syndicates at Lloyd's made bottom line losses.

## Vauxhall seeks 1,000 job losses

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the General Motors UK car subsidiary, is to cut its workforce by 1,000 over the next six months by way of an early retirement programme.

The company wants 560 of its 5,600 staff and shopfloor employees to go from the plant at Luton, north of London, and 440, or 7.6 per cent, of the 5,800 at Ellesmere Port in north-west England.

Men over 55 and women over 50 are eligible for the scheme.

Vauxhall stressed yesterday that no employee would be forced to retire, but at the same time management would have the right to refuse an early retirement request from any employee it wanted to retain.

The company is confident it can reach the target "because of the ageing workforce." For example, more than 40 per cent of male salaried employees are over 50 years old.

GM recently instituted a similar early retirement and voluntary redundancy programme for its Bedford commercial vehicle operations, asking for 1,700 job cuts from the workforce of 7,200.

In 1979, GM employed 33,300 at Vauxhall, which then included the Bedford commercial vehicle operations. Following the latest cuts, total employment by Vauxhall and Bedford will be reduced to about 16,900.

The latest job losses at Vauxhall are the first element in a programme designed to cut operating costs by at least 25 per cent over the next three years.

Vauxhall's chairman, Mr John Bagshaw, has warned the unions that, although the company doubled its share of the UK car market to around 16 per cent in the past five years, net losses this, year are expected to be greater than the record £47.3m ($71m) for 1985.

The company has been badly hurt by the rise in the value of the D-Mark against sterling because it imports many built-up cars and components from West Germany.

● Car sales in August, when the "D" prefix was introduced to number plates, reached a record for any month. The last-minute rush was so great that full details have been delayed. However, it is clear that the record of 374,599 registrations achieved in August 1983 – the year of the "A" prefix – has been beaten.

## Guinness controversy revived by Risk

SIR THOMAS RISK, the Governor of the Bank of Scotland, last night revived the controversy surrounding his forced departure as non-executive chairman designate of Guinness, the UK brewing and leisure group, **Lionel Barber writes.**

Sir Thomas's public statement contains new details showing that Sir Thomas was not party to discussions with the full Guinness board about the decision to scrap his appointment. He makes it clear that this was presented to him as a *fait accompli.*

Sir Thomas's intervention appears calculated to influence next week's extraordinary general meeting of shareholders, called to approve a new Guinness board structure to be chaired by Mr Ernest Saunders, currently chief executive.

□ AN ESTIMATED 70,000 jobs in Britain have been created over the years by the buy-British policies of Marks and Spencer, according to Lord Sieff, a former chairman of the group who retired from the board last October.

Lord Sieff, in an interview with BiC Quarterly, the publication of Business in the Community, an organisation which promotes greater involvement between industry and the community, said Marks and Spencer did not buy British goods out of sentiment but out of a policy of enlightened self interest.

□ MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, is planning to print the Daily Mirror at Park Royal in west London, Stamford Street, south London, and possibly Watford, north of London, as part of the paper's move out of Holborn Circus, near Fleet Street.

Mr Maxwell has already announced that printing of the Daily Mirror at MGN's Holborn headquarters will cease on July 1 1987. The company is buying 20 new colour presses at a cost of around £60m.

□ THE TRAVEL trade was sharply criticised in the latest issue of Holiday Which?, published by the Consumers' Association, for failing to give a fair deal to holidaymakers whose package holiday has ended up in disaster.

Only half of a special survey of 400 association members whose holiday had gone wrong were satisfied with the outcome of their complaint.

# UK NEWS

## Fall in tourism earnings cuts trading surplus

BY GEORGE GRAHAM

BRITAIN'S tourism earnings dropped in the second quarter of the year and cut the surplus on the current account of its balance of payments to less than £400m, the Central Statistical Office said yesterday.

Overseas visitors spent less in the UK while British residents spent more when they travelled abroad, leading to a worsening of the UK's position in travel services.

Earnings on the travel account of the balance of payments fell to £1.27bn in the second quarter from £1.35bn in the first three months of the year, 7.5 per cent less than in the same period of 1985. Payments on the travel account, meanwhile, rose to £1.52bn in the second quarter.

This left a net deficit of £245m on the travel account during the quarter. In the first quarter the net deficit was only £50m while in the second quarter of 1985 the UK had a surplus of £235m on travel.

The fall left the overall surplus on invisible transactions, including services, interest and profits from overseas and transfers such as pensions paid from abroad or government payments to the EEC, at £1.96bn in the second quarter.

This was £142m less than had been projected and reduced the overall current account surplus to £345m, down 42 per cent from the first quarter and 78 per cent from the second quarter of 1985.

The balance of payments on transfers also deteriorated during the quarter since the Government received only the regular monthly value-added tax abatements from the EEC and not the exceptional payment notched up in the first quarter.

Overall, the volume of exports of goods in the second quarter rose by 2.8 per cent from the first quarter but stood only 0.25 per cent higher than in the same period of 1985. Exports of services were over 1 per cent higher than in the first quarter but 3.4 per cent lower than in the same period of 1985.

Imports of goods were up 1.6 per cent from the first quarter and 2.7 per cent from the second quarter of 1985. Imports of services were down 1.3 per cent from the first quarter but up 5.6 per cent from a year earlier.

## British managers drop in pay league

By Richard Evans

UK BUSINESS managers have dropped from fifth to sixth ranking in the European Community pay league, according to the latest survey by Inbucon, the international management consultants.

France remains in top position, but Italy has taken over second place from West Germany when net pay after tax is taken into account.

The survey covers 21 countries for pay and purchasing power and 93 countries for personal taxation, and it also looks at comparative living costs in 125 major cities throughout the world.

The European comparisons are based on a managing director of a £10m turnover company and 10 of his European equivalents.

In addition to the UK, Belgium has also dropped e place in the last year, from sixth to seventh, and Ireland has fallen from eighth to ninth. Spain (fourth), Greece (10th) and Portugal (11th) have maintained their ranking.

Denmark and the Netherlands have risen from ninth to eighth and from seventh to fifth, respectively.

*International Taxation and Living Costs, 1986, Inbucon Salary Research, Knightsbridge House, 197 Knightsbridge, London, SW7 1RN; £135.*

## Thatcher likely to boost party machine in election run-up

BY PETER RIDDELL, POLITICAL EDITOR

MR JOHN COPE, the government deputy chief whip (parliamentary party manager), is in line to take up e key new post of overseeing the organisation of the Conservative Party in the run-up to the general election.

Mrs Thatcher is considering a recommendation from her closest advisers to appoint Mr Cope as joint deputy chairman of the party alongside Mr Jeffrey Archer, the novelist.

An announcement is expected early next week as part of the ministerial reshuffle, mainly of junior and middle-level posts.

Considerable criticism has been expressed recently by both Tory back-benchers and ministers about the effectiveness of Conservative Central Office, particularly following recent poor by-election results.

Mr Norman Tebbit, the Conservative Party chairman, has been closely involved, and interested in, major policy issue in Whitehall as e member of the Cabinet. Mr Archer's main role has been in extensive tours of the country encouraging, and enthusing, local Conservative Party members.

Consequently, there has been a growing view this summer among senior Tories that an experienced politician should be appointed to take a firm grip of the organisational side, under Mr Tebbit, in the key pre-election period. This would involve co-ordinating the agency service, marketing and campaigning.

Mr Cope has a high reputation at Westminster for his organisational ability. As deputy chief whip, more formally known as Treasurer of the Household, he is responsible for the day-to-day administration of the whips' office and of government business. He was a successful stand-in for Mr John Wakeham, the chief whip, during the latter's lengthy absence after the Brighton bombing two years ago.

Mr Cope is also popular among Tory MPs and would strengthen the links between back-benchers and Central Office.

The appointment of a joint deputy chairman alongside Mr Archer is not only e reflection of the problems and criticisms faced by Conservative Central Office over the past few months but also represents a stepping-up of the preparations for the next election.

FARNBOROUGH INTERNATIONAL AIR SHOW

## Eurofighter radar bid

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW European group has been set up by UK, Italian and Spanish companies to bid for the £1bn radar system contract for the forthcoming Eurofighter aircraft.

Ferranti Defences Systems, of the UK, is being joined by Fiar of Italy and Inisel of Spain. A West German company is expected to join them later.

Each member of this new group is experienced in fighter aircraft radar development, and the group is well advanced on project definition for its radar, called the European Collaborative Radar for the 1990s, ECR90.

The UK Ministry of Defence is expected soon to invite the aerospace industries of the four countries involved in the Eurofighter programme to tender for the radar system contract.

The Ferranti Group will face tough competition from another consortium comprising GEC Avionics, AEG of West Germeny and Hughes of the US. A decision is likely early next year.

The ECR90 consortium said et the Farnborough International Air Show yesterday that all the participants would contribute to the joint development programme and each would acquire the ability to manufacture and support the complete radar. They would also enjoy complete access to all the technologies involved.

Another large European consortium has been set up to develop a light attack helicopter for the 1990s. The companies involved are Westland of the UK, Agusta of Italy, Fokker of the Netherlands and Casa of Spain. They will undertake a two-year feasibility study into the developmeot of a helicopter called Tonal, derived from the Italian A129 Mangusta aircraft.

Both Westland and Agusta will each have 38 per cent of the venture, Fokker 19 per cent and Casa will have 5 per cent.

The projected helicopter is intended primarily for anti-tank duties but will also be used for scouting and other roles. It will incorporate advanced technology, including composite materials, fly-by-wire and more efficient rotor blades.

## Shorts wins $70m aircraft orders

SHORT BROTHERS, the aircraft manufacturer of Belfast, has won additional orders for 16 of its 36-seater type 360 airliners from three US customers worth in all more than $70m, Michael Donne writes.

Two of the operators are repeat customers while the third is a new airline which is just starting up in Phoenix, Arizona.

The largest order, for 11 aircraft, is for Simmons airlines of Marquette, Michigan, which already has 20 type 360s in service, making it the largest operator of this type of aircraft in the world.

Another US airline CC Air of Charlotte, North Carolina, has bought two 360s to expand its existing fleet of three aircraft which were delivered earlier this year. Completing the 16 firm new orders is an order for three aircraft from the new Phoenix-based regional airline, States West.

Announcing the order at Farnborough, Sir Philip Foreman, chairman and managing director of Shorts, said that they brought total orders and options for the 360 to more than 140 aircraft, with delivery of the first 100 achieved in less than five years from the maiden flight.

Another major order announced at Farnborough yesterday was by Saab of Sweden, which has sold two of its SF-340 twin turbo propeller aircraft to Bangkok Airways of Thailand, worth about $15m including spares, with an option on two more aircraft.

## Royal Mint's profits decline by a third

BY ANDREW TAYLOR

OPERATING PROFITS at the Royal Mint fell by a third in the year to March 31 1986, compared with the previous 12 months, and were nearly 60 per cent down on the 1981–82 level, according to the mint's latest annual accounts.

This shows that operating profits after interest fell last year from £5.7m to £3.8m despite a 27 per cent increase in sales from £58.6m to £74.4m.

The mint, which operates on similar lines to a government-owned company, blames fierce competition in overseas markets for the decline in profits.

Overseas sales last year accounted for almost two thirds of total turnover. The mint, which produces coins and coinage blanks for over 70 countries, also manufactures special proof gold and silver coins, military and civilian medals and decorations and royal and official seals.

Dr Jeremy Gerhard, deputy master and chief executive, said that the trading performance was disappointing given near record sales. None the less the mint had still managed to pay a £3.5m dividend into the consolidated fund.

"We have now been operating as a commercial organisation financed by means of a government trading fund for 11 years," he said. "During this period £43.6m has been paid in dividends which represents a substantial return on the original public capital invested of £7m."

## N-power project planned

By David Fishlock, Science Editor

A NUCLEAR power research and development programme costing tens of millions of pounds is being planned by the UK Atomic Energy Authority and British Nuclear Fuels (BNFL).

The programme will study the commercial potential of the laser process for enriching uranium, as a rival to the gas centrifuge technology for the late 1990s.

The plans were disclosed at the Uranium Institute's annual symposium in London yesterday.

Enrichment is a key step in the manufacture of nuclear reactor fuel. Since the early 1970s the Atomic Energy Research Establishment, Harwell, has been conducting laser enrichment research.

The new programme will combine and expand Harwell's work with a newer programme begun by BNFL in 1982, on the engineering concepts of a commercial-size enrichment plant.

The programme would run until the mid-1990s said Mr Peter Roberts, director of BNFL's enrichment division.

The programm would aim to demonstrate a process module suitable for a laser enrichment factory by the mid-1990s.

It would then be possible to compare processing costs with what Mr Roberts claimed was the world's lowest-cost enrichment process, run by Urenco, the Anglo-German-Dutch company which uses gas centrifuge technology.

Although Urenco has no joint laser enrichment research programme, nationally the three partners are spending about £10m a year a laser enrichment.

This compares with over £30m a year being spent by the US Government, which last year chose laser enrichment as its prospective new commercial technology for the late 1990s in preference to gas centrifuge.

This decision has heightened European interest in the laser, as a future competitor for the uranium enrichment market, seen as an annual world market worth over £2.7bn a year by 1996.

Mr John Longenecker, in charge of enrichment at the US Department of Energy, told the symposium that the first runs of the US laser demonstration module this summer had been six times better than expected and had already achieved the expected 1987 performance.

The US enrichment operation is being prepared for private investment and eventually private ownership.

# UK NEWS

## Vosper to make 304 redundant after lost orders

BY KEVIN BROWN, SHIPPING CORRESPONDENT

VOSPER Thornycroft, the privatised warship building yard, yesterday announced plans to make 304 employees redundant because of its failure to win two important orders.

The redundancies follows the decision of the Ministry of Defence (MoD) to split a £345m order for three Type 23 frigates for the Royal Navy between the Swan Hunter yard, on the Tyne, North-East England, and Yarrow, on the Clyde, Scotland.

Vosper has also abandoned hopes of winning a £300m order for three Type 21 frigates for the Pakistan navy despite an earlier letter of intent from the Pakistan Government to order at least one of the ships.

The order fell through after Pakistan made clear that the detailed specifications for the ships would alter the design so much that it would bear little relation to the Type 21 vessels built by Vosper for the Royal Navy in the past.

The redundancies are the first big job losses since Vosper was bought from state-owned British Shipbuilders by a management consortium for £18m in 1985.

Most of the redundancies will fall on the Woolston yard, in Southampton, which builds frigates, minehunters and fast patrol boats. About 40 will go at the Portsmouth yard, which builds corvettes and fast strike craft, and seven at the hydraulic power unit works in Cosham, Hampshire.

Vosper said no further redundancies were likely in the immediate future, but longer-term prospects depended on an order for four plastic-hulled minehunters for the Royal Navy expected to be placed in the new year.

The MoD said the Government was "well aware" of the importance of Vosper Thorneycroft as the lead yard for the construction of this type of mine counter-measures vessel but stressed that all defence orders would be subject to competition.

It was thought unlikely that the MoD would want to see a further weakening in the position of Vosper because of its long experience in the construction of complex specialised naval craft.

Vosper has orders for three mine counter-measures vessels and a single role minehunter for the Royal Navy, as well as an export order for three fast patrol craft.

Barry Riley looks at a proposed international accountancy merger

## Global balance is the bottom line

AT THE SECOND attempt, Peat Marwick International and Klynveld Main Goerdeler have agreed to merge to form what will be by a large margin the world's biggest accountancy grouping, to be called Klynveld Peat Marwick Goerdeler (though national trading names may vary).

Arthur Andersen has recently been at the top of the global league table, with income of some $1.6bn, but KPMG would have income of around $2.7bn.

In September 1985 talks between the two firms in Amsterdam ended in failure because of an inability to cope with the complexities of merging groups with operations in many countries. Less than a year previously, the plan to merge by two other accountancy giants, Price Waterhouse and Deloitte Haskins & Sells, had been spectacularly thrown out by partners voting in key countries such as the US and the UK.

Over the past 12 months, however, Peat Marwick and KMG appear to have decided that the merger has become more attractive. Attitudes may have changed more decisively at KMG, which in June suffered the defection of its Canadian affiliate, Thorne Riddell.

It is admitted by KMG that partners of Thorne Riddell were disappointed by the breakdown of the original Peat Marwick talks and were prompted to begin their own search for what they saw as a stronger parent organisation.

An additional blow was the partial defection in March of the Japanese affiliate Sanwa, which has merged with Tohmatsu Awoku, part of Touche Ross International.

KMG stresses that firms in Canada and other countries have been applying to join its international organisation. But it has nevertheless appeared to come under pressure, prompting merger approaches by several other of the international Big Eight.

Mr Paul Boschma, Dutch chairman of KMG, said on Wednesday that there had been regular contacts with Arthur Andersen during the past four months. But he added: "There is so much of a cultural difference between Arthur Andersen and ourselves that a merger could never have been possible."

Another persistent suitor has been Ernst & Whinney, the poacher of Thorne Riddell. E & W wrote a long letter to KMG and is thought to be upset that its proposals are not going to be formally put to KMG's partners. And within the past couple of days there have been last minute approaches from the chairman of Deloitte, Haskins & Sells.

In a sense, the agreement by KMG to a merger with Peat Marwick represents a failure of the original ambition of KMG's nine founding firms in 1979 to establish a giant international firm which was not dominated by its Anglo-Saxon constituents.

All the other major firms have UK or US origins, but the core of KMG was its continental European membership, including Kleinveld Kraayenhof in the Netherlands and Deutsche Treuhand in Germany.

These are national leaders, whereas the group's US affiliate, Main Hurdman, is small by the standards of the US Big Eight, and its UK firm, Thomson McLintock, ranks only at number 10 in the British accountancy league table.

Since 1979, KMG has developed successfully in many regards, picking up a total of 57 national firms around the world, but the weakness in the US has become an increasing problem.

As Mr Boschma put it: "We have seen the needs of our clients becoming much more international and we realised that we needed accelerated development and more balance in our worldwide coverage.

In contrast, KMG has become an increasingly attractive target for the international Big Eight, which tend to be underrepresented in Europe.

The logic of the proposed merger is therefore that it will create the only international firm which is properly balanced between the US and Europe, at a time when many European corporate clients are continuing to make extensive acquisitions in the US.

Delicate negotiations have produced an elaborate proposed structure for the new giant firm, which will have 58,000 partners and staff worldwide.

The headquarters of KPMG will be in Amsterdam, KMG's existing base, and the firm will be governed by representatives drawn equally from among former KMG and Peat Marwick partners. The first chairman would be from KMG and the first executive partner, responsible for day-to-day management, from Peat Marwick.

The combined organisation would audit 1,425 out of the world's 6,000 largest companies, more than any other firm. It would audit 216 out of the largest 1,000 companies.

Proposals will be considered by national firms within the next few months though the date may vary from country to country. Substantial majorities in favour will be required: in the UK for instance, 75 per cent of Peat Marwick's partners will have to vote in favour, and 80 per cent of KMG Thomson McLintock's.

The intention is that this approval process will be completed worldwide by the beginning of 1987. Implementation, involving such developments as the adoption of common trading names, would follow, probably within the first three months of the year.

## Nationwide society to create network of estate agencies

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE NATIONWIDE building society is to develop, through acquisition, a national estate agency network with up to 350 offices. The move would make it the second-largest UK estate agent and highlight the expansion of societies outside their traditional business areas.

The Nationwide – the UK's third-largest building society – listed estate agency as one of several new services it intended to offer when the new Building Societies Act comes into force next year. The act will grant societies powers to engage in new activities and perform more banking-type services. The Nationwide is the first big society to detail its plans for the changes.

Mr Tim Melville-Ross, the chief general manager, said thet other services would include cheque books and guarantee cards, direct debit and bill-paying through automatic teller machines, and unsecured lending. On the investment side, the Nationwide will offer the new personal equity plans (Peps) proposed in the last budget, pension plans and unit trusts. It will also provide insurance services.

The Nationwide will need the approval of its members to use these powers, and this will be sought at a special meeting on October 17. But Mr Melville-Ross said that the society would not try to use them all immediately.

The Nationwide does not plan to become a public company with a stock exchange listing. Mr Melville-Ross said that the society's present mutual status was "beneficial to both the society as a whole and our members individually." The society would also not enter the conveyancing business so long as the legal profession provided the service efficiently

The Nationwide has already reached provisional agreement to buy 20 estate agencies with 260 offices and expects to reach 350 early next year. These include Donald Storrie & Co, Scotland's largest estate agents with 29 offices. Mr Donald Storrie, the firm's chairman, will head the Nationwide's estate agency business.

Mr Melville-Ross declined to disclose how much the Nationwide would spend on its agency network. But the investment would not affect the society's ability to make mortgages.

Earlier this year, Hambro Countrywide became the UK's largest estate agents when Hambros, the merchant banking group, merged with Bairstow Eves and Mann & Co to form a group with 389 offices.

## BA forced to reroute Hong Kong service

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

DESPITE extensive advertising in the north of England, British Airways' newest long-haul route from Manchester to Hong Kong, via Munich, Dubai and Bangkok, has failed to attract enough business travellers to be continued in its present form.

Tourist and cargo bookings have been up to budget, but super club and first-class passengers have not provided the profits BA needs to make the twice-weekly route pay. The service started last November.

It is being discontinued from the end of October and replaced with one starting in Manchester but continuing through London, Bombay or Delhi and then on to Hong Kong.

Going via London will be seen in the north of England as a blow to Manchester airport's role as Britain's northern hub although BA is stressing that, because through travellers will not have to get off the aircraft, the stop will be no different from landing in Munich. It will also be using a Boeing 747 rather than a Tristar 200.

The critical sales point for the new service is that with one stop less, it will cut the present travelling time by 2 hours 15 minutes, eliminating what BA believes has been the major drawback of the existing route.

However, this will mean that northern English and Bavarian travellers will lose their direct routes to the Middle East and Bangkok. Munich-Bangkok had proved successful, a BA spokesman said, but more travel through to Hong Kong would have been needed to keep it on.

The Manchester route was originally justified in terms of demand and BA's assertions that London Heathrow was full. Going via London does not square with this, and the BA spokesman was unable yesterday to explain how the London routing was now possible.

He stressed that timings – a 4pm start on Tuesdays and Saturdays to arrive in Hong Kong by 4.40pm local time the next day – would still provide a sensible connection with BA's scheduled Tristar service between New York and Manchester.

BA also thinks the new route will attract "ethnic" traffic from the north to India, though the more logical volume market here might rather be Manchester-Islamabad for the north's large Pakistani community.

## AE car engine designed to cut exhaust fumes

BY JOHN GRIFFITHS

A NEW TYPE of combustion system which may meet Europe's planned car exhaust emissions standards without the need for catalysts is under joint development by AE, the UK component maker fighting takeover approaches from Turner and Newall, and a US-based research company.

AE acknowledged that the system, which involves a radical piston design and induction changes, was still five years from commercial production, even if no snags were found in the course of further development.

But definitive tests to determine whether the standards can be met are already in progress. "Clearly, if these tests prove successful, the potential market is enormous," said Sir John Collyear, AE's chairman.

AE said that testing of a modified 1.6 litre Ford Escort engine at the Maryland laboratories of Sonex Research, AE's US partner, had already demonstrated reduction of hydrocarbons, carbon monoxide and nitrous oxides to below US federal CVS3 and European ECE 1504 limits.

Similar testing is being carried out by AE at the UK's Motor Industry Research Association proving ground at Nuneaton, Warwickshire.

Sonex, a company formed by a group of ex-naval scientists, has been exploring the concept for about 10 years. It uses acoustic principles in tandem with chemical combustion technology, it is claimed, to scavenge and clean exhaust gases much more efficiently than in conventional engines.

AE sees a key element of the system being the fact that it should provide a "generic" solution to cleaning up exhaust pollutants. "Lean-burn" engines are being developed throughout the motor industry as complementary to expensive catalyst systems. The problem with them, however, is that each type of engine requires prolonged computer-based research to find a discrete "lean-burn" design that works.

The AE/Sonex system should be applicable to all engines, at a likely cost, said a spokesman, of around £25 a unit.

The company said the decision to disclose the system now had nothing to do with fortifying AE's image in the context of the hotly contested Turner and Newall bid.

"It really isn't relevant. It could equally strengthen the other party's resolve to pursue us."

## Book piracy directive

BY RAYMOND SNODDY

THE BRITISH Government plans to issue a directive to its embassies around the world urging them to give priority to protection of Britain's information industries, such as publishing, from piracy.

The directive will be issued by the Foreign and Commonwealth Office but has been drawn up in conjunction with the Department of Trade and Industry.

The document has already been drafted, and it is expected to be sent to ambassadors in the relevant areas, particularly the Far East "imminently."

The directive follows lobbying by organisations such as the Publishers Association, which believes that British publishers could be losing as much as £100m a year from piracy, particularly of textbooks.

The DTI has been looking seriously for some time at ways of protecting all forms of "intellectual property" from piracy. Some heat has been generated in the argument following the visit of a delegation from the Publishers Association to Indonesia, where British textbooks are illegally pirated.

The delegation formed the view that the British embassy there did not appear to be giving the issue the kind of priority the US gave it.

Following the visit, the association wrote to the Foreign Office urging a more vigorous approach. The Foreign Office said yesterday a letter had been received but refused to discuss the contents.

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Shareholders are aware that in the third quarter of the 1986 financial year underground production was adversely affected as a result of labour disturbances. Consequently a greater tonnage of lower grsde surface material was treated in that quarter and the recovered grade declined tn 4.0 g/t.

Higher underground prodoction in the fourth quarter of the financial year together with a lower throughput of surface material resulted in an improvement in the recovered grade to 4.4 g/t. The quarterly report indicated that at 4.4 g/t the recovered grade was still below expectatinns.

Shareholders are advised that it is now expected that the recovered grade will be approximately 4.0 g/t for the current financial year. The decision to mine to a lower grade has been taken as a result of the recent significant increase in the gold price together with the planned implementation of trackless mining techniques, both of which allow lower grade ore to be mined profitably.

In the shorter term, while underground production recovers to the levels achieved prior to the labour disturbances and as trackless mining gradually replaces conventional mining in certain areas, a greater proportion of lower grade surface material will be treated. It is expected, nonetheless, that during this period the grade will be maintained at approximately 4.0 g/t.

Further details will be made available in the Chairman's Review that will be published at the end of September.

*Johannesburg, 4th September 1986*

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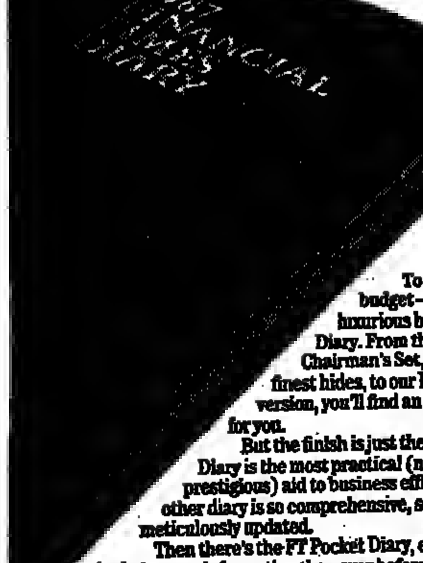

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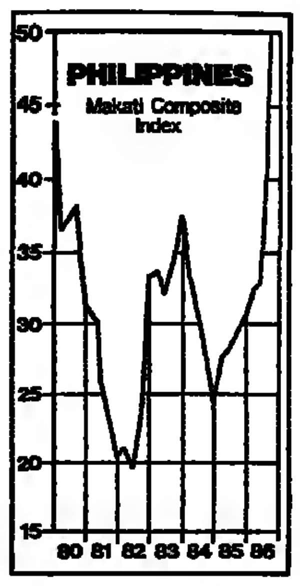
# SECURITIES MARKETS

# Philippines stocks come back to life

BY SAMUEL SENOREN IN MANILA

**A bullish trend has developed in the Philippines share market since the fall of President Marcos in February. The revival has been selective however, applying mainly to commercial and industrial Blue Chips. The mining and oil sectors have been largely left out because world prices remain depressed. The upturn also lacks a major element—sizable foreign investment.**



THE PHILIPPINES' stock market has come back to life after nearly six depressed years dnring wbich a large number of hrokers were driven out of business. The market is not as vihrant as it used to he bnt encouraging enough to keep the trading floors of the two stock exchanges busy for the three-hour daily session.

The Manila exchange is the older and accounts for the bulk of trading. The smaller Makati exchange is in the suburban financial district of Makati.

The beginning of the bullish trend is generally traced back to the fall in February of President Ferdinand Marcos whom most businessmen perceived as the obstacle to a recovery by the Phillppines' ailing economy—and the subsequent rise to power of Mrs Corazon Aquino. But Marcos was not entirely to blame for the near demise of the stock market. Its performance bad been depressed since 1980 largely because of bad business conditions. The market outlook was mede even bleaker when commodity prices started to slide.

Share prices hit the bottom in 1983 with the assassination of former Senator Benigno Aquino, the opposition leader and husband of Mrs Aquino. The killing precipitated a political crisis that culminated in Mr Marcos being ousted.

Several factors bave fuelled the stock market's upturn. First, investment funds have been switched into the market following a drastic fall in interest rates on savings and time deposits. These rates bad shot up in the preceding two years as the banks were forced to compete with higb yields on government securities.

The Government had offered securities with annual yields as high as 40 per cent in order to draw in money from circulation, to comply with liquidity conditions imposed by the International Monetary Fund. Banks were obliged to raise interest rates to prevent depositors from withdrawing funds—a move whicb hurt e number of banks.

Second, the highly lucrative but illegal US dollar parallel market, where investors took refuge to cushion a fall in the value of the peso, has dried up. The peso has stabilised, in the process significantly redncing demand for dollars.

Third, the casinos which used to be another beven for investment funds, have been temporarily closed by tbe Government pending policy review towards legalised gambling.

However, the bullish trend has been selective, applying generally only to commercial and industrial Blue Chips. The mining and oil sectors have been largely left out simply because world prices remain depressed.

During the first half of this year total value of trading at the two exchanges jumped five-fold to 4.6bn pesos ($224m) involving 6.5bn shares. In 1984, total value of shares traded was only 1.4bn pesos but involved a larger unit volume of 13.8bn shares.

The commercial end industrials sector accounted for 91.3 per cent of value of trading from January to June, with the balance spread thinly among the mining and oil issues.

One lead performer has been Philippine Long Distance Telephone (PLDT), the market value of which has risen 400 per cent from a January opening of 37 pesos per share to last week's close of 187 pesos. The company raised its attributable profit fourfold in the first half of 1986, to 832.5m pesos from 202.5m pesos.

San Miguel, another Blue Chip, also showed a spectacular price rise from 13 pesos in January to 65 pesos by last week.

PLDT and San Miguel, which are among about a dozen actively traded commercial-industrial issues, have one tbing in common. Both have been seized by the Aquino Government on suspicion that they were elther owned or controlled hy Mr Marcos or his close business associates.

Since the Government takeover three months ago, both have reported hefty increases in revenues and income during the first quarter which tended to strengtben suspicions that the former managers might have siphoned funds from the company to personal accounts abroad.

About a dozen other active issues come from the mining and oil sectors. All told, there are less than 30 issues wbich are still traded out of the more than 150 compenles listed on the exchanges in 1984.

The mining sector, which nsed to be the most actively traded stocks until metal prices plunged, has not shown significant movement mainly because its disastrous financial performance during the past year.

In 1985, three large mlning houses wbich used to be consistently profitable were among the top 10 lossmakers listed by the Philippine Securities and Exchange Commissinn.

Atlas Consolideted lost 1.5bn pesos nn sales nf 2.6bn pesos. North Davao Mining was in the red by 1.3bn pesos, and Msrcopper Mining showed e net loss of 188m pesos.

Tbe oil issues hsve also not moved: local oil exploration, active ln the late 1970s, has ground to a halt, a victim of polltical instabllity during the latter part of the Marcos years and of falling crude prices.

The concentration of activity on a few issues, according to Mr Jaime Ongpln, the Finance Minister, has cessed to make the stock market an accurate barometer of the economy.

Overall, the hullish trend lacks a major element — sizable foreign investment.

In theory, a Government plan to swap equity in selected Philippine companics for part of its foreign commercigl deht — established at abont $14bn out of lotal external debt of $26bn — sbould spark a boom in the stock market.

But that cannot be expected until the Pbilippines offers a more liberal and attractive package to lure creditors and potential investors to teke up sucb deals.

Forelgn investors also need to be convinced that Mrs Aquino's Government will last long enough to restore political stsbility to the Philippines. Many foreign buslnessmen ln Manila say they are stlll confused on wbat directions tbe Aquino Government is tsking with regsrd to foreign capitel.

Pronounced pollcy on foreign capltal has been ambivalent at best. The absence of a permanent constltution wbich would spell pollcy on foreign investment is also seen as a major deterrent towards attracting capltal.

Until the new constitutlon is approved by tbe people, possibly by the end of the year, no significant amount of forelgn capital can be expected to find its way into the stock market.

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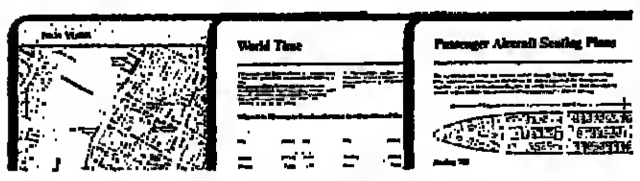

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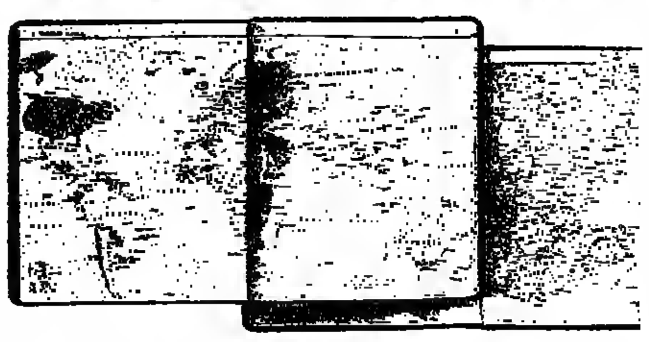

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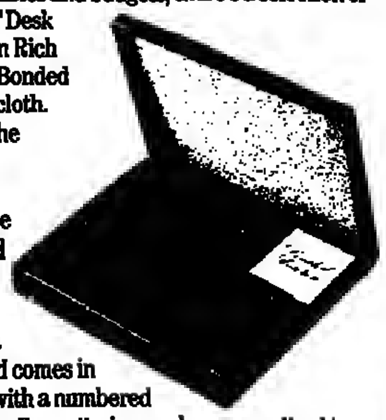

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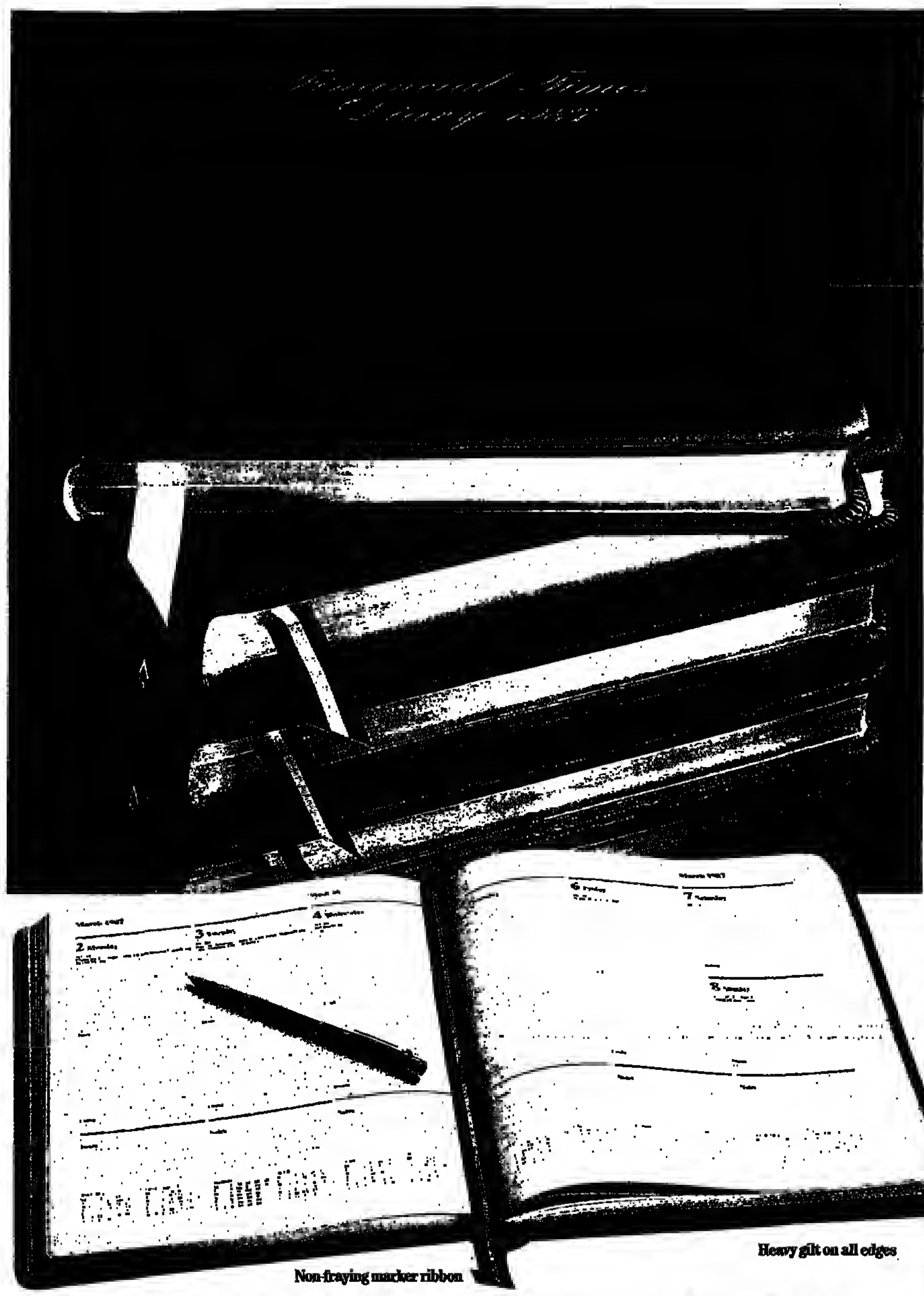

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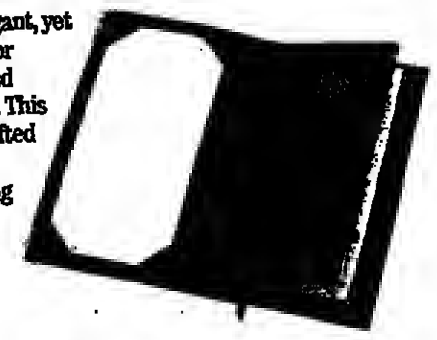

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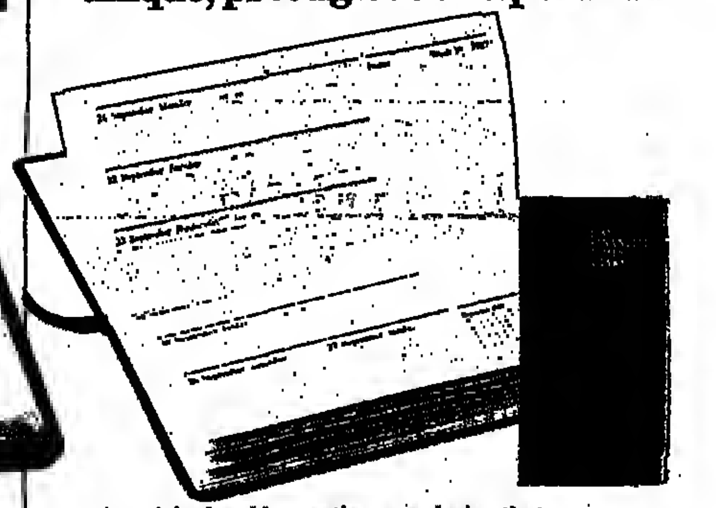

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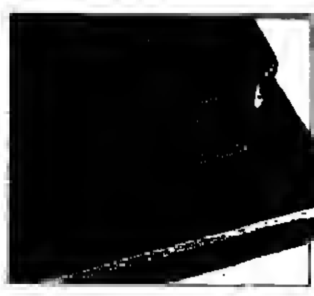

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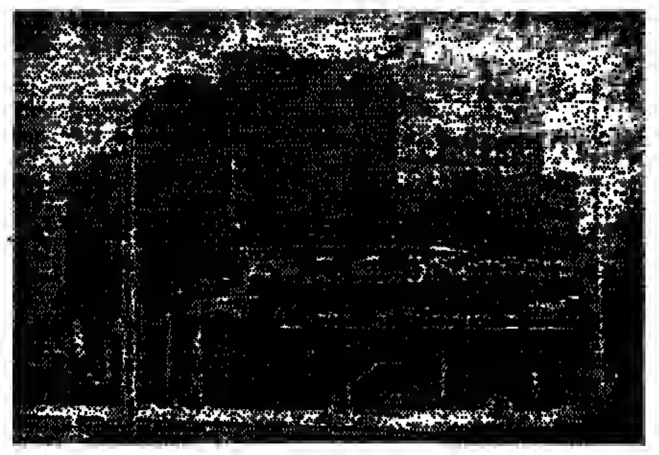
# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ



Skala-Metro, Budapest, where eastern Europeans shop wistfully

## Hungarian chain transformed by Western links

**Leslie Colitt: explains Skala-Coop's growth**

SKALA-METRO, the flagship department store of Hungary'a largest and most adventurous retail chain, is definitely not Marks and Spencer. The price-quality relationship is just too far out of balance. But for hundreds of thousands of tourists in Budapest from the rest of Eastern Europe it is as close as they will ever get to a Western-style department store.

The Easterners do most of their shopping with wistful gazes, however, because of the depressed exchange rate for their currencies to the Hungarian forint. East Garmans get only Fts 6.10 for Mark 1, compared with tha Fts 20 which DM 1 will obtain for West Germans.

How, the East Germans wonder, can an average Hungarian possibly afford the goods sold by Skala-Metro?

The fact is that most Hungarians cannot afford the displays of Benetton clothes and Western household appliances from the earnings of one job. That explains why so many of them hold down a second and even third job. Hungarian economics officials in turn moan that this is why productivity is barely rising.

The department store'a parent, Skala-Coop, began lifa 11 years ago as the owner of one modest emporium in Budapest. Today it has eclipsed the starchy state-run retail chain and has branched out into tha import-export business (it has foreign trada rights along with some 200 other Hungarian companies), industrial production and most recently fruit and vegetables.

This past winter, Skala-Coop'o management declared war on a shadowy group of illagal private wholesalers which had jacked up prices of hothouse tomatoes and paprikas to en astronomic Fts 400 a kilo in February. Uuder Hungary's economic reforms prices of most goods are freely set and this has led to 7 per cent inflation this year (unofficial estimates would put it nearer 14 per cent).

Skala-Coop, which last year purchased tha bankrupt vegetable and fruit wholesale-retail chain of Zöldert, decided to import 1,500 tonnes of tomatoes from North Africa and to sell them in its newly-acquired produce chain at Fts 99 a kilo.

Dr Mihaly Muszbek, Skala-Coop'a economic manager, says management was convinced that only "real competition" and uot a state crackdown would put the produce mafia on the defonsive. It was rumoured in Budapest that several of the illegal wholesalers were Zöldert employees who bought up produce from privata producers and sold it to other middlemen at a hefty profit. With Skala-Coop undercutting their prices, the illegal private wholesalers lost a great deal of money but continued to do business ou a smaller scale.

The motive behind acquiring Zöldert was to be able to influence the market when there were shortages or oversupply.

"If there is a shortage we must import very quickly," Muszbek says, "and if there is an oversupply we hava to export."

Skala-Coop wants to make long-term import-export contracts with Western producers and buyers so that it can provide large quantities of fresh produce to the home market in the winter while exporting Hungarian produce in the summer. Plans are afoot to complate a deal with Western partners utilising Hungary's numerous thermal springs to provide heat in order to reduce hothouse growing costs by about 25 per cent.

At the same time Skala-Coop wants to convert the chain of 500 uniformly austere Zöldert shops in Budapest into three categories along typically Western lines. They would carry the same produce but at varied prices because the quality, packaging and design of the shops varied. Previously tha same product sold at exactly the same price throughout Hungary—which is still true elsewhere in Eastern Europe.

Skala-Coop is owned by more than 200 consumer co-operatives in which some 1.5m Hungarian households own shares. Last year'a turnover was Fts 25.6bn ($512m) including Zöldert'a Fts 4bn in sales. Earnings before taxes were Fts 829m of which the state siphoned off about two-thirds in taxes. This year the company is aiming for a 15 per cent increase in turnover.

Of tho 68 department stores in the Skala-Coop chain, six are wholly owned and the rest franchised. With 46 per cent of Hungary's department store sales, Skala-Coop was considerably more profitable than the state chain of 50 department stores because of its more efficient and aggressive management.

In tune with the country's economic reforms, each Skala department store is financially and managerially independent while wages, technology and amortisation are still centralised.

Skala-Coop'a chief executive, Sandor Demjan, who heads tha Budapest Communist Party Committee and who is one of the rare party officials to run a company in Hungary takes a backseat to no-one in his drive to promote efficiency and profitability. He brought Skala-Coop into the booming Hungarian boud market in 1984, selling Fts 136m worth of bonds to individuals and other companies in three days. He has now set the company's sights well beyond department stores where it is content with its present market share.

"We fought hard against monopolies in Hungary and don't want to be ona ourselves." says Muszbek.

Instead, Skala-Coop wants to expand its industrial activities even further, especially in joint ventures with Western partners. Skala World Trade, which it formed several years ago, is the vehicle for achieving this end. It had sales last year of Fts 5bn and has expanded by about 50 per cent annually.

It concentrates mainly on food, clothing, industrial consumer goods and chemicals with imports making up 60 per cent of sales. Istvan Hauck, foreign trade manager of Skala-Coop, says that in competing with other foreign trade enterprises which are larger and more specialised, Skala-Coop tries to concentrate on a narrow market segment which is uninteresting to the big companies or has escaped their notice. Skala-Coop last year was one of four companies to become a Magyarised version of a Western trading house and is now able to decide ou its own which goods to buy and sell abroad.

The company is preparing a joint venture with Standard Electrikk Lorenz (SEL), a subsidiary of ITT, in West Germany, under which Skala-Coop would assemble some 50,000 colour TV sets a year and 10,000 video recorders initially. Half would go to the West with the rest remaining in the booming domestic market for home alectronics.

In moving into the industrial sector, Muszbek explains, the company does not want to buy up existing Hungarian firms hut to establish uew ones using the latest technologies.

Negotiations are taking place with another Western company to form a joint enterprise for fruit juice production and distribution utilising Zöldert's purchasing network.

Several of the joint ventures Skala-Coop has formed are aimed at supplying tha Hungarian market with Western goods. Fotex, together with an American company, provides fast film development (earning Fts 50m on Fts 70m ou sales last year) while HBH-Skala, with a Bavarian brewer, supplies beer. The largest joiut venture, though, is with a Swiss company which holds a 9 per cent share and which distributes Western slot machines in Hungary. It earned Fts 120m on Fts 229m turnover.

Accounting systems

## How old fashioned analyses can scupper modern manufacturing

By NICK GARNETT

MANY manufacturing companies in Europe and the US are making some pretty awful decisions on retooling and reorganisation because the conventional accounting methods they use are now grossly unsuitable.

Accountants employed by manufacturing companies may be getting their sums right when analysing the impact of capital investment and technological change. But an increasing number of European and North American managements believes that in terms of what is good for their companies tha sums are actually hopelessly wrong.

Companies considering or implementing revolutionary changes in their manufacturing continue to measure and evaluate the performance of these operations using accounting systems rooted in tha 1910s. Then the mathematics of direct labour costs and the efficiency of materials and machinery were quite different from what they are—or should be—today.

At its simplest, this argument says that many of the newer standards of measuring manufacuring performance — inventory reductiou, flexibility to meet changing customer requirements, quality, employee morale—form uo part of an accountant's brief.

The accountant just ignores them in his or her cost equations in what has become known as "accountancy lag"—the failure of accountancy procedures to keep up with changes in the real life world of production that they are supposed to represent.

As a result, companies ueedlessly delay or cancol decisions on reinvestment, misunderstand the impact on themselves of retooling or altering production processes once tha money has been spent and take unsound decisions about where equipment should be housed.

A recent seminar on manufacturing organised by the Financial Times pinpointed some accountancy pitfalls facing European (particularly British) and North American companies even without this added millstone of accountancy lag.

Little research has been conducted on Japanese accountancy and costing practices but more than one speaker identified decisions taken by Japanese manufacturing companies which showed that they do not attempt to wrestle with the same cost equations as their non-Japanese competitors. Tha underlying basis for capital investment and reorganisation decisions in Japan appears to be the requirements of volume production rathor than "pay back" times.

For example, in taking a decision on whether to build an automated dockside warehouse, a Japanese car company asks itself what market share it is targeting for its models, how many caro it will maka and what is the best way of offloading that volume (usually very large) of cars into the holds of the transporter ships.

### Payback

If the answer is the automated warehouse it is only then that the company dives into the detailed business of costing the project to see how it can be achievcd at the lowest price. The concept of the payback time seems virtually to have a non-existent role.

Volume-oriented production thinking and the way it has seeped into Japanese costing methods already puts many Western competitors at a disadvantage.

However, a paper by Robert Kaplan, Professor of Accountancy at the Harvard Business School, points to accounting lag and the "obsolescence" of cost accounting systems as a general drag on proper decision-making even without these other competitive headaches.

"Existing cost accounting and management control practices are unlikely to provide useful indicators for managing the firm's manufacturing operations," Kaplan says. "In particular traditional cost measurement systems will imperfectly reflect, and with considerable lags at best, the dramatic increase in manufacturing efficiency and effectiveness that occurs when firms achieve total quality control, zero work-in-progress inventory systems, and enhanced workforce capabilities.

"No system of which I am sware captures the benefits from short product launch times or from tho flexibility afforded by computer-coutrolled production systems. Further, short term profitability indicators do not signal the decrease in the value of tho firm when firms reduce their discretionary expenditures for developing new products, for improving production processes, for maintaining the skill, loyalty and morale of the workforce, for expanding distributiou networks and customer awareness, for developing improved software for productiou and information systems, and for maintaining and improving their physical capital resources.

"On the contrary, existing financial accounting systems signal short-term increases in accounting profits when firms decrease their economic wealth by forgoing investments in their long-term informatiou and productive capital."

Kaplan bases aome of his arguments on a study of several US companies. One company which makes DIY tools had revamped its manufacturing following a study of Japanese production methods. A form of Just In Time had been introduced, much faster tool changes and use of small batch production.

The company's accounting system, though, had uot been modifiod. Variations in prodoction were computed by aggregating prodoction at each plant so that the significant cost savings achieved on making particular products as against others could uot be extracted from the data.

Detailed standard times and costings were boing maintained for a sequence of procedures carried out manually but uone of these procedures existed any longer—they had been combined into a single machine process.

Another company in the study makes computers. Its direct labour represents less than 10 per cent of total costs. The company uses a traditional cost accounting system, accumulating all overhead expenses into large cost pools.

These include overhead and indirect expenses for a range of functions including manufacturing engineering, test aud quality engineering, machinery dopreciation, manufacturing support and financial services. These cost pools were allocated to production departments on an arbitrary basis and then translated into direct labour cost per hour.

Applying overhead and indirect costs on direct labour hours resulted in managers concentrating their attention ou controlling and improving direct labour utilisation, even though direct labour was such a small percentage of total manufacturing costs.

Reasons for accounting lag include the lack of adequate models to copy from, the prevalence of computer-based accounting systems which are difficult to modify fundamentally and the entrenched decades-old emphasis on financial accounting even among management accountants. The most important reason, though, says Kaplan, is that senior company management "has not emphasised the need to improve the relevance and responsiveness of its management accounting systems."

### Relevant

The paper's conclusions are that internal accounting procedures can and should be different from thoso used to prepare financial and tax statements and that the accounting system should be continually scrutinised so that it remains relevant to manufacturing operations during periods of technological and organisational change.

The one inescapable conclusion is that accountants should work much more closely with manufacturing managers and product and process engineers.

● *Accounting Lag: The Obsolescence of Cost Accounting Systems, Robert S. Kaplan. Published in The Uneasy Alliance — Managing the Productivity / Technology Dilemma, Harvard Business School Press. Available through Harper and Row, Price $32.95 (£22.95).*

# THE PROPERTY MARKET BY WILLIAM COCHRANE

RETAIL WAREHOUSING

## Land Securities leaves its footprint

THE TROUBLE with being a giant is that you make big, big footprints. For Land Securities, Britain's biggest property company with property assets of £2½bn, this creates a particular problem in keeping up with the times—and being seen to do so.

Stockley's siege of Stock Conversion, and ths latter's eventual fall to a takeover bid from P & O, has taught the sector that no-one is safe. So the big companies bave to perform, and move into fresh fields; big footprints mean big footholds in the new markets, and the disturbance to markets that they cause.

It happens that, this week, Lands' managing director Peter Hunt, can say that his Ravenside Investments subsidiary bas secured a foothold of more than £100m in retail warehousing, in terms of investments either acquired or planned.

That gives the company access to fast-growing tenants in convenience durable goods with the furniture and do-it-yourself trades represented by the like of MFI, Harris Queensway, B and Q or W. H. Smith Do-It-All; and, potentially, to Marks & Spencer, Habitat, Boots and other "comparison" retailers now on the way out of town.

This investment is not big enough to make much impact on Lands' performance; some £100m represents just 4 per cent of its property asset base. But it is big enough to affect the embryo retail warehouse market; the same £100m gives Ravenside a portfolio twice the size of the retail warehouse element in Peel Holdings, the trend-setter in this new sector of the shopping market.

Ravenside last datailed four out-of-town acquisitions in March. They were in Dundee, Wolverhampton, Dewsbury and Bristol, adding £7.7m to its portfolio. This week Mr Hunt disclosed five more recent deals: in Coventry, Wrexbam, Swansea, Christchurch and Stockton-on-Tees, totalling £13.4m.

Agents Clive Lewis & Partners, well known in the hurly burly of the retail property market, acted for Ravenside throughout.

It happens that Clive Lewis, in their midsummer retail report two months ago, picked out one or two problems in retail warehousing.

They said that steadily rednoing yields for retail warebouses reflected tho increased demand from "the institutions" for this type of property investment. "Indeed," they said, "there is strong evidence to suggest that yields in the region of 7 per cent bave been achieved in tha South East area." They went on to question whether these low yields were always appropriate.

### Problems of scale

Given Lands' problems of scale, and the market's epparent indigestion, somebody had to change the game; and that is what Mr Hunt has been doing. He says that the accent is coming off the purchase of built or planned developments, and on to in-house development, funding deals and the like.

"Through Ravenside Investments," he says, "we set out to build a solid portfolio rapidly in anticipation of yields bardening, which is now happening. We shall still continue to acquire good out of-town shopping and retail schemes but we want to increase our stock of sites with retail potential and are stepping up our search for suitable opportunities."

It happens, again, that retail warehousing is nowhere more clustered so far than in the plans for Pearson group and edjoining RTZ land at West Thurrock, Essex, north of the Dartford Tunnel and alongside the M25 motorway. Land Securities, if nothing more, is conscious of the possibilities of the location.

RTZ has planning permission for three proposals involving pre-lets to MFI/Allied Carpets, Courts, the furnishers, and B & Q, the Woolworth do-it-yourself subsidiary; but it has extra acreage which, it says, could take its total space up between 450,000 and 500,000 sq ft.

Pearson Lakeside, with a 100,0000 sq ft Tesco alreedy built on site, has another 300,000 sq ft under way for companies including Texas Homecare, Habitat and W. H. Smith Do-It-All; and its managing director, Ray Pledger, this week acknowledged tho Land Securities interest in the project.

### Funding alternatives

Whether the interest goes any further will be a matter for the Pearson board, be said, but it was generated by Pearson's own exploration of the funding market—"to look at the options," as Mr Pledger puts it—in the comparison of self-funding, ontside funding and partnership alternatives.

Meanwhila, there is the in-house development alternative, and Mr Hunt admits to bidding for a few of those. Ravenside was named only last week in a short list of nine developers for "The Meadows," Camberley, e 76.4 acre Ministry of Defence elte on the borders of Berkshire, Surrey and Hampshire and right, alongside the M3 motorway.

People are getting excited about these tender situations. They have a right to be. Neville Pearson, a partner in Healey & Baker which is advising on the disposal of the land and on planning matters, said last week that 30 possible developers had registered interest in the site.

The short list inclndes Asda/MFI, J Sainsbury and the Marks & Spencer/Tesco pairing which, Mr Hunt acknowledges, means tough opposition for Lands in ths tender. "Historically," he says, "with most tenders that I know of where food operators have been in on the act, it's been a difficult job to beat them."

The food trader, he notes, will pay opportunity cost rather than rental value. "There are not that many good food superstore sites around," he says. Mr Hunt also notes that a shed's value as a food supermarket is higher than that of durables or DIY, simply because food operators can afford higher rents.

However, "The Meadows" is not a standard retail warehouse site, as talk of a £35m price for the land suggests. Some £15m for a prime, south eastern motorway site of 20 acres is much more of a supermarketeer's proposition.

Healey & Baker envisage development of around 250,000 sq ft of retailing, inclnding two 100,000 eq ft superstores linked by 50,000 of comparision retailing. They say that the chosen developer may eventually sell off some of its excess acreago for residential development. This is beginning to sound more of e property developers' choice.

However, Mr Hunt finishes on retailers' firepower. "Marks & Spencer and Tesco together are a formidable combination," he says. "It is not easy for them to find a site that big, with all tho carparking that it entails. They will obviously bo prepared to pay for the privilege."

## HK Land in demerger aftermath

NIGEL RICH, chief operating officer of Hongkong Land, Hong Kong's largest property investment company, commented this week on prospects for tha company as the demerger proposals for its Dairy Farm subsidiary went before shareholders.

"Hongkong Land's debt will be reduced by some HK$1.5bn (£129m) as e result of the transfer while shareholders' funds will remain unchanged at $16bn (£1.38bn)," he said. "In terms of shareholders' funds Hongkong Land will remain Hong Kong's second largest company."

He said that the reaction of Hongkong Land's lenders to the demerger proposal has been most encouraging. Negotiations have just been concluded which improve further the overall pricing and significantly extend the terms of the total loan portfollc.

Mr Rich concluded that firm committed facilities covering the group's projected borrowing reqnirements into the early 1990s are now in place. The company, said chairman and managing director Simon Keswick, now looks forward to being judged mainly on its asset values.

It is an ironic comment on tho parochialism of the world's property markets that being jndged mainly on asset values has been the death of ono or two good property companies in the UK market.

## L & M to drop Oxford plan

DEVELOPERS LONDON and Metropolitan Estates say, "with regret," that the company is unable to proceed with the proposed redevelopment of Gloucester Green, Oxford.

The company says that this decision has been taken following the recent threat of legal action by the previously selected developers against London and Metropolitan over the ownership of copyright of tha development plans and the use of information alleged to be confidantial to the previous developer.

Any such action, it says, could lead to indefinite delays and would make tha scheme financially "unviable" for London and Metropolitan. L and M is owned jointly by LET and Balfour Beatty, a subsidiary of BICC.

● The long leasehold interests of the Stewart Wrightson Group and Sunley Holdings in Fountain House, 130 Fenchurch Street in the City of London have been acquired by Norwich Union for £27½m of which £19.3m is payable to Stewart Wrightson. Surveyors Edward Erdman advised the vendors throughout the negotiations.

● Debenham Tewson and Chinnocks' latest report on industrial rents and rates says that, since 1985, rents in the majority of the 24 locations in the DTC survey have risen.

In a sector recently "unaccustomed to growth" the past year has seen an improvement in the state of the letting market in the South East and some of the larger centres in the Midlands, says the firm, with supply and demand moving into a closer balance than that experienced for most of the last five yaars.

DTC says that if interest rates continue their drift down there will be further inducement for industrialists to resurrect investment plans forestalled by the recession.

● London & Caltrust Properties, joint vanture company of London & Metropolitan and Caltrust, has signed np C & A as anchor tenant for its £21m 100,000-sq-ft, fashion-orientated Kyle Centre in High Street, Ayr.

● Fluor Europe, on its way to a Docklands headquarters, has disposed of its 120,000 sq ft of space in the Euston Square complex in central London to British Telecom. BT has taken an assignment of the lease which has somo 17 years to run and is currently held on a passing rent of £13.70 per sq ft.

Fluor was represented by Richard Ellis, White Druce & Brown and Healey & Baker. Agents for British Telecom were Debenham Tewson & Chinnocks.

## Company Notices

## Personal

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APPOINTMENTS

# Managing director for Heron Motor

Mr John Turner has been appointed managing director of HERON MOTOR GROUP, comprising Heron petrol service stations, motor retailing and Heronfreight. He succeeds Mr Colin Robinson, who has joined tha Pergamon Group. Mr Turner has returned to this country from America where he was president of Media Home Entertainment Inc, Heron's Los Angeles-based entertainment business. He was previously managing director of Heron's Lancia import business. He has been with Heron for 15 years and now rejoins the board of Heron Corporation. Mr Robinson becomes joint managing director of HOLLIS on October 1, with responsibility for the furniture and timber division. Before joining Heron he was group managing director of the claddings group of Cape Industries.

★

Mr Bruce E. G. Leggett has been appointed managing director of PANDROL UK, formerly Pandrol (Worksop). He was commercial director of Paxman Diesel, a member of GEC Group.

★

Mr Nigel à Brassard will be joining KLEINWORT BENSON in October to head the bank's commercial paper unit, with particular emphasis on the developing sterling market. Mr Paget Langford-Holt will be joining at the same time as a commercial paper trader. Both are at Samuel Montagu & Co. Mr Roger Clements will be joining from Astley & Pearce to work on commercial paper sales.

★

Mr Henry D. Langer has been appointed to the holding company board of the TRANS GLOBAL GROUP as group finance director. Replacing him as group company secretary is Mr Barry Ruck, who has also become a director of group companies — Knight & Morris, Stephenson & Ephgrave, and Comprehensive Shipping. Two other group executives have also been appointed directors of Knight & Morris, Stephenson & Ephgrave, and Comprehensive Shipping. They are Mr Stephen Knight, with responsibility for group marketing and sales development and Mr Derek Scott who, in addition to new responsibilities as director, remains in control of packaging within Stephenson & Ephgrave.

★

A director of Watney Mann and Truman Brewers has joined MICRO BUSINESS SYSTEMS as finance director. He is Mr David Downes, who was finance, systems, business planning and legal director of Watney's.

★

Mr Juan Puyol has become general manager of BANCO EXTERIOR—UK, a Spanish bank in succession to Mr Ramon Artigas who has been appointed general manager of the French associate bank Banco Exterior—France.

★

Mr G. J. Newman has been appointed managing director of SHANKS & McEWAN (SOUTHERN). He was managing director of BFI Wastecare.

★

MULTI CONSTRUCTION (UK) has made senior management appointments among its subsidiary companies. In Stockport, Mr Mike Cheetham becomes general manager of Multi Construction and Dr Geoffrey Sides general manager of Multi Design Consultants. Both retain their directorships of these companies. In Wimbledon, Mr Chris Adams is made general manager of A. Roberts, retaining his directorship, and Mr Robert Bignold joins Multi Construction Developments as managing director.

★

BURLINGTON PUBLISHING has appointed Mr John Fletcher as editorial director.

★

Mr Richard Stone, formerly senior partner of the West Midlands insolvency practice, is moving to London to head a new corporate development division of COOPERS & LYBRAND.

★

RAM SOFTWARE, Bradford, has appointed Mr Stephen Brabbins as managing director. He was marketing director.

★

Mr Thomas Forsyth has joined DWEK GROUP as group finance director. He was previously a corporate finance executive with City Merchants Bank.

★

Mr Noel D. Campbell has become a partner at DURRANT PIESSE.

★

IBL has appointed Mr John T. Mounsey as managing director of subsidary IBL (UK). He joined from Econocom, where he had been managing director since 1984.

★

The REDROW GROUP has made the following appointments to its subsidiary boards: Mr John Williams as managing director of Redrow Developments (Southern), T. Headley (Contractors) and Headley Builders, based in Ashford, Kent. Formerly construction director of Redrow Developments (Northern), Mr Williams is also on the group's two main boards, Redrow Developments and Redrow Construction. Mr Rod Mitchell becomes managing director of Redrow Developments (Midlands), a newly-formed subsidiary based in Leicester. He joins after experience as a managing director with the housing subsidiaries of companies such as Orme, Comben and Trafalgar House.

CONTRACTS

# Cutting credit card operating costs

KODAK has won orders worth almost £2m to supply plain paper reader-printers and computer-aided microfilm storage and retrieval systems to major credit card companies. Largest order, worth over £500,000, has been placed by Barclaycard which is installing over 60 plain paper reader/printers and terminals. Other major customers include: The Joint Credit Card Company (Access), The Bank of Scotland (Visa Card), TSB (Trust Card), Co-op Bank (Visa Card), St Michael Financial Services (Credit Charge Card), and American Express. Plain paper reader-printers offer significant savings in operating costs compared with previous equipment, says Kodak. The company quotes the case of American Express where the installation of a Kodak Kar-4400 Information System has enabled the 55 days turnround in processing credit card applications to be cut to five days, operating costs to be cut by 35 per cent and productivity to rise by 34 per cent.

★

SHEEPBRIDGE SINTERED PRODUCTS, a subsidiary of the GKN powder metallurgy division, has won a contract worth $1.25m (£845,000) for heavy duty graphitic friction material for Detroit Diesel Allison division of General Motors Corporation, US, for use in Torqmatic transmissions.

★

SPINNEYS AUSTRALIA (PTY), a wholly-owned subsidiary of Steel Brothers Holdings, has secured a contract with Ok Tedi Mining at its gold and copper mine in the Western Province of Papua New Guinea. It will be worth over £5m per year. The order involves provision of catering and camp operating services to several locations, supplies for the township supermarket and other shops, office cleaning, garbage collection and large-scale function catering.

★

British Coal is to build a £10m pilot plant on a North Wales site to produce petrol from coal. By the turn of the century more than 10m tonnes of coal a year could be used in the UK for transport fuel production. ELREMO of Harlow has been awarded the contract to produce the fluidised bed process healers for this process. The £350,000 contract will be completed by the beginning of 1987.

★

WALTER LAWRENCE & SON has started on a £2.3m refurbishment of the Downs Estate, Amhurst Road, E8, on behalf of the London Borough of Hackney. Five blocks of flats on the estate will be refurbished over a 79-week period. The work will consist of replacement of flat roofs with tiled pitched roofs and insulation; refuse chutes; lift tower extensions and lift installations; entry phones and kitchens in some flats; replacement of windows; conversion of drying rooms to form dining rooms for some flats; together with repair to brickwork and redecoration of communal staircases and balconies. Private front gardens to some homes will also be provided.

★

In November HORTON CONSTRUCTION starts work on a £2m project to restore the Norfolk Hotel in Bournemouth to the splendour of its Victorian heyday, bringing it to four-star standard by the spring. It is to be refurbished with new facilities that will include a covered swimming pool and multi-level car park. The first phase will take 25 weeks to complete. Horton is undertaking an £800,000 project in Fareham where a four-storey office block with car park and access road is to be built for Higgs and Hill Developments in 38 weeks. A more unusual project is the restoration of Shanklin Pier on the Isle of Wight which is to be restored in a series of fast-tracking sessions over the next two years.

★

The British Rail contract covers groundworks for a new station concourse incorporating travel shop, catering and other passenger business facilities adjacent to Reading General Station. This comprises some demolition work, piling and construction of basement slab, ramp, retaining walls and ground slab together with associated service ducts and drainage. The basement will provide short-term car parking facilities for the new station. Work is due for completion in January 1987.

★

BALFOUR BEATY BUILDING has been awarded a contract by J. Sainsbury to build a supermarket at Oldham, Lancs. This store is the fourth that Balfour Beatty has built for this client. Worth £4.8m, work on the contract has started for completion by September 1987.

★

BELOIT WALMSLEY, Bolton, Lancs, has been awarded two contracts with a total value of over £4m. One order is for Australian Paper Manufacturers, Petrie Mill for the wet end rebuild of a multiply machine. This will include converting two Inverform units into Beloit Walmsley's Bel-Bond Units and installing secondary headboxes. The other order is from Reed Paper & Board (UK) for the rebuild of its No 8 Machine at Aylesford Paper Mills for the production of corrugated case materials.

# THE ARTS

## Arts Week

| F | S | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |

## Opera and Ballet

### LONDON

**English National Opera, Coliseum:** The start of the season features two much-revived ENO productions – Il Trovatore with Kenneth Collins, Jane Eaglen, Ann Howard, Neil Howlett, and James Lockhart as conductor; and Jonathan Miller's oddly unsatisfactory production of The Marriage of Figaro, with Valerie Masterson and John Tomlinson returning to the roles of Countess and Figaro, and Mark Elder conducting. (836 3161).

### WEST GERMANY

**Berlin, Deutsche Oper:** To mark the 200th anniversary of Frederick the Great, Montezuma, for which he wrote the libretto, is offered to music by Carl Heinrich Graun, produced by Herbert Wernicke, with Graciela Araya, Angela Denning, Gudrun Sieber and Walter Grönroos. Don Giovanni features Cheryl Studer, Gundula Janowitz, Marie McLaughlin and Jose van Dam. Siegfried has Catarina Ligendza, Rene Kollo, Angela Denning and Gottfried Hornik. Falstaff is revived with Ingvar Wixell, Karen Armstrong and Kaja Borris. Zar und Zimmermann rounds off the week (34 381).

**Hamburg, Staatsoper:** Hamburg Musikhalle: Verdi Requiem, conducted by Gerd Albrecht with Awilda Verdejo, Alicia Nafe, Luis Lima and Kurt Moll (35 11 51).

**Frankfurt Opera:** Premiering this week is a concert version of La Gioconda. The cast is led by Galina Savova, Enzo Grimaldo, Carlo Bergonzi and Barnaba Matteo. Die Entführung aus dem Serail, conducted by Michael Gielen features Faye Robinson, Julie Kaufmann, Alejandro Ramirez and Gerolf Scheder. Aida, sung in Italian, has Awilda Verdejo in the title role. Also Hans Zender's Stephen Climax and Das Rheingold. (2 58 21).

### NETHERLANDS

**Scheveningen, Circus Theatre.** Nederlands Dans Theater with a new ballet by Nacho Duato, and Jiri Kylian's Svedebka and Stamping Ground (Thur). (55 88 00).

### VIENNA

**Staatsoper:** Der Rosenkavalier conducted by Kout with Tomova-Sintov, Lilova, Walther, Wise, Rysanek; La Traviata conducted by Plasson with Cotrubas, Raffanti, Milnes; Cavalleria Rusticana conducted by Fischer with Lilova, Troyanos, Merighi; I Pagliacci conducted by Fischer with Ghazarian, Atlantov, Pons; Ariadne auf Naxos conducted by Schneider with Gruberova, Murray, Tomova-Sintov; The Barber of Seville conducted by Weikert. (51 444/26 55).

**Volksoper:** Hello Dolly conducted by Bibl; Das Land des Lächelns; Madame Pompadour; Wiener Blut; Orpheus in der Unterwelt (51 444/26 57).

### SPAIN

**Bilbao,** L'Elisir d'Amore with Alfredo Kraus and Andriana Anelli. Orquesta Sinfonica de Euskadi conducted by Bruno Rigacci; Turandot with Eva Marton, Nicola Martinucci and Carlos del Bosco conducted by Bruno Rigacci. Teatro Coliseo Albia (415 5480–415 6655).

### NEW YORK

**New York City Opera** (NY State Theatre): The week features Sigmond Romberg's The New Moon with Leigh Munro as Marianne, Richard White as Robert and Richard McKee as Besac in Robert Johanson's new production conducted by Jim Coleman. Other productions this week are Faust and Madama Butterfly. Lincoln Center (870 5600).

**Out-of Towners Series** (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Los Trios Ringbarkus from Melbourne performing Rampant Stupidity (Wed, Thur). 19th St. w. of 7th Av (924 0077).

**SummerStage** (Central Park): Free new dance series. Yvonne Meier, Jane Comfort. (Wed); Douglas Dunn, Bill T. Jones (Thur). Bandshell at 72nd St. 6 o'clock (397 3156).

## Music

### WASHINGTON

**National Symphony** (Concert Hall): Mstislav Rostropovich conducting. Ives, Beethoven, Tchaikovsky (Tue); with Arleen Auger, soprano. Weber, Mozart, Mahler (Thur). Kennedy Center (254 3776).

### CHICAGO

**Ravinia Festival:** Anthony Newman organ recital. Widor, Franck, Vierne, J.S. Bach (Wed); Charles Neidich clarinet recital with Elena Ivanina piano. Debussy, Schumann, Reinecke, Berg, Edison Denisov, Stockhausen, Luigi Basai (Wed); Dawn Upshaw soprano recital, Rovert Merfeld piano, Charles Reidich clarinet. Purcell, Debussy, Schubert, Schwantner, Rachmaninov (Thur). Highland Park. (728 4642).

### TOKYO

**Tokyo Metropolitan Symphony Orchestra** conducted by Takashi Asahina: Brahms, Bruckner, Haas. Tokyo Bunka Kaikan (822 0727).

**Shlomo Mintz** (violin) with Paul Ostrovsky, piano. Beethoven, Mendelssohn, Brahms. Tokyo Bunka Kaikan (Wed). (571 1689).

### LONDON

**Bavarian Radio Symphony Orchestra** conducted by Sir Colin Davis. Stravinsky and Beethoven. Royal Albert Hall (Mon). (589 8212).

**Bavarian Radio Symphony Orchestra** conducted by Sir Colin Davis. Hartmann and Bruckner. Royal Albert Hall (Tue).

**BBC Symphony Orchestra** conducted by Raymond Leppard with Felicity Lott, soprano and Rodney Friend, violin. Berlioz, Duparc and Brahms. Royal Albert Hall (Wed).

**City of Birmingham Symphony Orchestra** conducted by Simon Rattle with Philip Fowke, piano. Ravel, Debussy, Rachmaninov and Sibelius. Royal Albert Hall (Thur).

**Vladimir Ashkenazy,** piano and Lynn Harrell, cello. Beethoven. Royal Festival Hall (Thur). (928 3191).

### PARIS

**Ensemble Mosaiques,** Christophe Coin, cello and Erich Hobarth, violin: Haydn, Boccherini (Mon 7 pm). Auditorium des Halles, 5 Porte Saint-Eustache.

**Helene Jeanney,** piano: One hour with Chopin (Tue 6.30 pm). Auditorium des Halles.

All these concerts are part of the Paris Festival Estival. Taped information in English round the clock 4764 9080.

### WEST GERMANY

**Frankfurt,** Alte Oper: London Philharmonic Orchestra, BBC Singers, London Voices and Welsh National Opera Chorus, conducted by Sir Georg Solti. Berlioz La Damnation de Faust with Frederica von Stade, Keith Lewis, Dietrich Fischer-Dieskau und Malcolm King (Tues); Beethoven's 9th with Helen Donath, Sarah Walker, Reiner Goldberg and Hans Sotin (Mon, Wed).

### BRUSSELS

**Palais des Beaux Arts:** Toronto Symphony Orchestra conducted by Andrew Davis with Louis Lortie, piano. Louie, Beethoven, Prokofiev. (Tue); Czech Philharmonic Orchestra conducted by Vaclav Neumann. Mahler, Dvořák (Wed); Liege Philharmonic Orchestra conducted by Pierre Bartholomée with Barbara Hendricx, mezzo soprano: Berlioz (Thur). (512 50 45).

### NETHERLANDS

**Maastricht,** various churches. 1986 Euro-Festival of religious music. Pentacost vocal ensemble. Gregorian chant (Tue); The Voice of the Turtle, Sephardic wedding songs from Bulgaria (Wed); Canticles (Thur). (21 33 00).

### VIENNA

**Vienna Hofburg Orchestra** conducted by Gert Hofbauer. Waltzes and Light Opera. Konzerthaus (72 12 11). (Tue, Thur).

**Peter Planyavsky,** organ. Dandrieu, Boehm, Bach, Schmidt, Planyavsky. St Stephan's Cathedral (Wed).

## Theatre

### NETHERLANDS

**Amsterdam, Stadsschouwburg.** Golden Gate Actors Ensemble (24 23 11).

**Eindhoven Schouwburg.** Chris Harris in his one-man show Kemp's Jig, the comic story of a musical clown in Shakespeare's company who turns his back on the bard and wins fame by Morris dancing from London to Norwich (Fri). (11 11 22).

### WEST GERMANY

**Munich, Gasteig Kulturzentrum,** Carl Orff Saal: Royal Shakespeare Company. A Midsummer Night's Dream, devised last year by Toby Robertson. (089) 41 81–614.

### LONDON

**The Normal Heart** (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

**La Cage Aux Folles** (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

**Blithe Spirit** (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

**Troilus and Cressida** (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

**Dalliance** (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

**Lend Me A Tenor** (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

**When We Are Married** (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

**Lennon** (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

**Are You Lonesome Tonight?** (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

**Big River** (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 6220).

**The Mystery of Edwin Drood** (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

### CHICAGO

**Pump Boys and Dinettes** (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

### TOKYO

**Bunraku Puppet Theatre:** Japan's traditional popular theatre with its life-size puppets. Sister theatre to Kabuki, they share a common repertoire. This month's performances feature one of the most popular plays for Bunraku, Imoseyama Onna Teikin by Japan's best-known 18th century playwright, Chikamatsu. Matinee at noon, evening performance, 4pm. National Theatre near Akasakamitsuke and major hotels. English programme and excellent earphone commentary available. (265 7411).

**Romeo and Juliet** (in Japanese), an important new production directed by internationally known Kabuki female impersonator, Tamasaburo Bando, starring Hiroyuki Sanada and others. Sunshine Theatre, Ikebukuro (987 5281).

## Exhibitions

### LONDON

**Hayward Gallery:** Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

### PARIS

**What Is Modern Sculpture?:** Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900–1970 period. Her criterion is a break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou, Closed Tue (42771112) Ends Oct 13.

**Mediaeval art in Paris:** The abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn *mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny. 6 Place Paul-Painlevé, Métro Odéon.

### WEST GERMANY

**Düsseldorf,** Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

**Essen:** Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

**Nuremberg,** Germanisches Nationalmuseum, Kornmarkt 1: Nuremberg, from 1300 to 1550. Gothic and Renaissance Art. About 300 main works of Nuremberg's grandest age. Ends Sept 28.

**Munich,** Lenbachhaus, Luisenstrasse 33: Hommage à Beuys: 69 painters exhibit some 100 pictures with 150 late works by Joseph Beuys (1921–1986). Ends Sept 28.

### BRUSSELS

**Ghent:** Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map *etc* from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

**When the posters went to war:** American posters through the two world wars. Musée Royale d'Art et Histoire. Ends Oct 12.

### ITALY

**Lugano:** Villa Favorita: Goya In Private Spanish Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

**Venice:** Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

**Rome:** Museo Nazionale delle Arti a Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

### NETHERLANDS

**Eindhoven,** Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

**Amsterdam,** Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, life-size reconstructions of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for the birds and mammals. Ends Oct 19.

**Leiden,** Rijksmuseum van Oudheden. Treasures from Turkey gathers together more than 400 exhibits from 22 museums to provide an overview of the civilisations that left their mark on Anatolia in the course of 1,000 centuries. The first section covers the Stone and Bronze ages, with pottery, delicate figurines and gold ornaments. The second part is devoted to the classical period, from the first contacts with Greece up to the end of the Byzantine Empire, and contains superb Hellenistic statues, a Roman portrait gallery and the treasury of Constantinople. The refined cultures of the Seljuks and Ottomans are explored in the final section, furnished mainly from the Topkapi Museum, with illustrated books, tapestries and embroidered garments. Ends Sep 22.

### SPAIN

**Madrid,** Prado Museum. French, Spanish and Italian paintings of the 18th century. This exhibition from

Continued on Page 19

# THE ARTS

Cinema/Ann Totterdell

## Emotional confrontation in the underworld

**Mona Lisa directed by Neil Jordan**
**Miracles directed by Jim Kous**
**Jake Speed directed by Andrew Lane**

The night aky is red, a car cruises searchingly through a tatty parade of fourth division whores—the amateurs, the broken down, the addicts and the adolescents. At the wheel is George (Bob Hoskins) newly released from prison into a Londoe underworld he barely recognises. in the back Simona (Cathy Tysoo). young. beautiful, aloof but also for sale. And the mean streets they watch are those of Kings Cross, London's meat rack.

Why an expensive hooker wants to spend her off-duty hours surveying down market colleagues ia an enlgma which intrigues George. But then, he finds most aspects of life intriguing or disturhing now; his old gang seem tn have moved into new areas, ones he dislikes; *pornographic* videos, pimping, hlackmail.

When Simone finally confides that she is looking for a vanisbed friend, imprisoned ln prostitution by heroin addiction, George's romantic and chivalrous lnstincts are ready for arousal. He takes the search into the places Simone can't go, the Soho clnbs and brothels, aad inevitably uncovers a threatening rat's nest of connections and corruptions.

It makes an enjoyahle gangland thriller, bnt it isn't the mysteries or the chases that make *Mona Lisa* the impressive film it is. Its small canvas is enlarged and given weight by the emotions lt confronts, especially for George.

His narrow outlook and righteous but superficial indignations are stretched by events into real and painful feelings. Who would have expected ultra conservative George to fall under the spell of the "tall, thin hlack tart" he chauffeurs, and be as excited as e small boy in a new school uniform hy the Saville Row suil abe buys to make him more presentable ln the smart hotels she works?

Outwardly transformed from gauchely floundering puppy into the inconspicuous cover Simone needs, he is still adrift in e world grown tougher and more cynical while be has been inside, an observer drawn for a while into an impotent crusade only to withdraw, accepting maybe but not adjusted to the facts of his life.

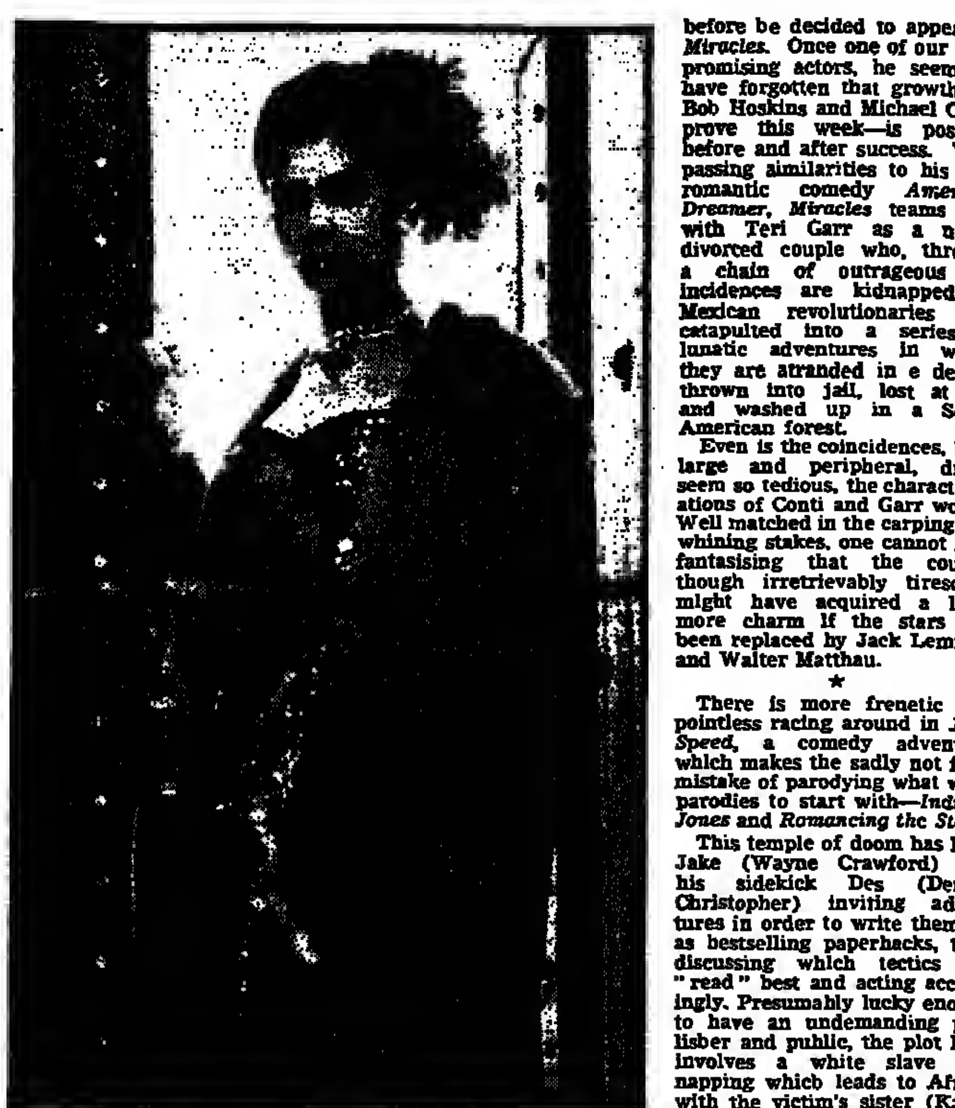
When be discusses the detective stories be enjoys George always comes up with better solutions than the authors, but it is beyond his power to write *his own happy ending.*

Though it is no secret that the role of George was written especially for Hoskins by director Neil Jordan (who made *Angel* and *Company of Wolves*), that is not to say he has been given an easy ride. The part calls for the familiar Hoskins toughness hut also for a vulnerability and yearning for affection that is never allowed to become pathetic — George always retains the dignity of a boxer staggering up at the count of nine. Not only is the part designed to stretcb his sense of comedy as well as his emotional reserves but the other players give him a run for his money.

Cathy Tyson gives a contained but multi-layered performance as the unfathomahle Simone, using scraps of confidences like bits of bait to win George'a help. Robbie Coltrane as his best friend Thomas makes an easy-going buffer for George's scratchy misgivings and disapprovals. "Channel Four, is it?" he asks cbeerfully when the appalled George, watching one of the porn videos he is employed to deliver, discovers Simone is the etar.

And in an imaginative and surprising piece of casting, Michael Caine, proving that though you are hlg in status you can be big in professional generosity too, makes a relatively brief eppearance as George'a smoothly manipulative and unprincipled puller of strings.

There is more than a touch of *Taxi Driver* abont *Mona Lisa*: red light districts, heroes who are outsiders, prowling the streets from the seclusion of cars, revolted by the corruption they see, especially that of girls barely more than children. Though it is unlikely that Jordan gave Martin Scorsese'a film more than a passing thought when he wrote the script, it is the nearest a British film has come to a convincing account of urban street life and the coldly business-like corruptions it conceals.



Cathy Tyson in a scene from Mona Lisa

Persistently and unrecognisahly shown in the past as a cosy haven for cbirpy barrow boya and tarts with bearts, or as some melodramatic no man's land where ordinary people don't venture, Jordan has captured the look and essence of the Soho I lived in for nine years — safe for outsiders, scruffy and prosaic, the uncomfortable aspects all hidden away bebind shabby street doors.

If the film doesn't have the power of a *Taxi Driver* it isn't because Neil Jordan (as an Irishman himself, an observer) has not applied his own moral vision to his story but because *he has discovered* the layers of grey that lnform British attitudes, dulling moral passions instead of provoking them.

★

It is a pity that Tom Conti couldn't have seen *Mona Lisa* before be decided to appear in *Miracles*. Once one of our most promising actors, he seems to have forgotten that growth—as Bob Hoskins and Michael Caine prove this week—is possible before and after success. With passing similarities to his first romantic comedy *American Dreamer*, *Miracles* teams him with Teri Garr as a newly divorced couple who, through a chain of outrageous coincidences are kidnapped by Mexican revolutionaries and catapulted into a series of lunatic adventures in which they are atranded in e desert, thrown into jail, lost at ses and washed up in a South American forest.

Even is the coincidences, both large and peripheral, didn't seem so tedious, the characterisations of Conti and Garr would. Well matched in the carping and whining stakes, one cannot help fantasising that the couple, though irretrievably tiresome, might have acquired a little more charm if the stars hed been replaced by Jack Lemmon and Walter Matthau.

★

There is more frenetic and pointless racing around in *Jake Speed*, a comedy adventure which makes the sadly not fatal mistake of parodying what were parodies to start with—*Indiana Jones* and *Romancing the Stone*.

This temple of doom has hero Jake (Wayne Crawford) and his sidekick Des (Dennis Christopher) inviting adventures in order to write them up as bestselling paperhacks, then discussing which tectics will "read" best and acting accordingly. Presumably lucky enough to have an undemanding publisber and puhlic, the plot here involves a white slave kidnapping whicb leads to Africa, with the victim's sister (Karen Kopins) along to provide glamour and a aexy cover picture. Not only a one joke film but practically e one incident film too, the ection is painfully slow, mostly consisting of explosions and flying bodies, only hriefly enlivened by a stylised performance by John Hurt as an oily villain of the old school.

Wayne Crawford who plays Jake Speed and also wrote the script makes an agreeably ettractive and fallihle bero, hut more plot, pace and humour would be needed to turn this into real entertainment.

## Orion over Farne/Albert Hall, Radio 3

**Andrew Clements**

John Casken was one of the featured composers at the most recent Musica Nove week in Glasgow in 1984. Among lhe new scores introduced during the festival waa his *Orion over Farne*, written for the Scottish National Orchestra, and it was appropriately given its first London performance hy them, lucidly conducted by Matthias Bamert, as tbe beginning of Wednesday night's Prom.

It proved to be one of the most striking and cogently argued of Casken'e recent scores. The atarting point appears to have been both literary and topographical; a potent quotation from Basil Bunting's autohiographical poem of life in the English North East, "Briggflats" heads the score, and one of the composer'a impulses must have heen to try to capture something of the epirit of place the poem evokes: the Orion of the title is the constellation ln the night sky., Farne the group of islands *off* the Northumhrian coasl. Bul laid upon thet is both a programmatic portrayal of the mytb of Orion, from the cali of his hunting born in the opening bars to his death and journey into the heavens at the close, and the elements of a four movement symphonic form. It is something of an acblevement lo bave preserved all these layers of musical and extra-musical inspiralion more or less lntact, without allowing the argument to get hogged down because of them.

The final two sections of *Orion* are very finely realised, the first two rather less certain in their direction. The opening music seeme hardly to have got properly into its stride before the hrakes are being applied in readiness for the transition to the slow second part; the thematic elements are hardly given room to expand and tantalising fragments scud by, never to be recalled. The *second movement itself* begins and ends as if recalling some English pastoral sketch of another age, complete with a promising cor anglais solo, but the material within that frame is diffuse and lacks any clear sense of purpose.

Yet the fast music which disperses the mood of contemplation is immensely purposeful, densely scored without ever becoming congested and the final music of aecent is delicately layered, predominantly written for strings but with deftly applied toucbes of other instrumental colours. Repeated hearings do not make the opening any more appealing, but they do increase a respect for the pacing and perceptiveness of the later music, which displays the kind of surefootedness that Caeken previously revealed in his 1982 string quartet.

## Woman in Mind/Vaudeville

**Michael Coveney**

Reports from Scarboroogh last year, including Martin Hoyle's on this page, suggested that Alan Ayckbourn'e latest play was no water-treading makeweight. So it proves ln a new production hy the aulhor in the West End: a hilious, raw, strange and surreal account of a married woman's dissatisfactions and hallucinated family counterparts after she has knocked herself out on the garden rake.

The play opens and closes with fast re-wound gibberish, as if Susan's nightmare is a symptom of concussed sensibility. Attended by a doctor who has admired her secretly from afar, she is greeted by a white-clad trio of ideal busband, young brother and brillant daughter with tennis court chatter and offers of champagne. They would all be lost without ber. The artificiality of this writing, et first disconcerting, is in fect a cunning device through wbich the elternative ls viewed as potentially suffocating as the reality.

Julia McKenzie, e proven Ayckbourn interpreter as well ee a matchles musical comedienne, scores a considerable success as Susan, her performance on Wednesday greeted with an ovation less synthetic than is usual on such occasions.

She scampers fluffily among the overweening compliments, the salmon lunch on white table cloth, the slow motion unctuousness of the blond, considerate busband. But deep down, the pain of an unfulfilled woman ls greet. It wells up before spurting out in mordant remarks about separate beds, solitary occupations like gardening and (now) sex, the lack of e role to play.

Susan is married to e boring vicar. Gerald, whom Martin Jarvis, thickening gloriously into comic middle age, presents as a lumpen, patronising cleric whose offertory gestures have been recycled for domestic tyranny, whose light and skidding Sunday morning pleasantries have hardened into whiplash phrases of conciliation and contempt.

They are expecting their eon Rick for lunch, a boy who has joined a eect ln Hemel Hempstead end communicates wlth his fatber only through the odd letter. He does not speak to his mother. Gerald'e sister Muriel (the goggle-eyed, angular Josepbine Tewson) is also on hand, preparing hideous omelettes and undrinkahle coffee while boping that her deceased bed-ridden husband will somehow get in touch. Years of disappointment and

Alastair Muir

Martin Jarvis and Julia McKenzie

silence lend the baleful conversations an incongruous Ibsentie quality which are all the same punctuated with some bitterly funny exchanges.

The champagne fantasy is offset against the wan reality of a sad ritual of the dusty Marsala hottle, produced as an eperitif on a faided cardtable. While such juxtapositions may sound a little schematic, the writing continuously jumbles the contrasts and avoids plot stagnation. The clumsy doctor, beantifully played by Peter Blythe, is implicated on both dramatic planes, encouraged by chair, Susan's lnstruction to her glass-toting white daughter to "put lt there, darling."

When Rick (Daniel Flynn) breaks his silence and threatens to decamp to Thailand with a nurse be bas already married, Susan consigns him to the fantasy. By now, her Furies, or voices, or whatever, have assumed e more menacing shape and a ghostly row culminates in an act of sexual possession on the lawn. While a storm rages, the doctor is thrown ln the lake, Gerald'e manuscript burnt and Muriel's "Harry" is reported back from the dead. With an outrageous switch of mood and tempo, a wedding party becomes a day et the races and the two worlds merge in a vivid social and ecclesiasticel tableau.

There has always been a black order on Ayckbourn's comedies—although no one really noted this until *Absent Friends* in 1975—and tbe wife at breaking or breakdown point (as ln *Just Between Ourselves*, revived et Watford next week) is a familiar focus for the playwright's unforgiving documentation of bow people destroy each nther. But this piece is new and black and adventurous even for Ayckhourn, whose lnventiveness sbows no sign of *flagging* after 32 plays, an extraordinary fact of our theatre life.

He is staunchly abetted bere by Roger Glossop's design of a distant garden of sundials, statuary, hedges and floral swings which materialise under the magic wand of David Hersey's lighting and coalesce with minimal fuss into the acceptable, comforting appearance of e tidy English garden. But even there, a hush has died and a neighbour's dog wimpers and goee missing.

## Lust for life: Hollywood biographies

**Rock Hudson: His Story by Rock Hudson and Sara Davidson (Weidenfeld and Nicolson, £10.95, 234 pages)**
**As Time Goes By: The Life of Ingrid Bergman by Laurence Leamer (Hamisb Hamilton, £12.95, 349 pages)**
**The Goldwyn Tench by Michael Freedland (Harrep, £9.95, 254 pages)**
**Katharine Hepburn by Anne Edwards (Hodder and Stoughton, £12.95, 358 pages)**
**Bette Davis by Alexander Walker (Pavilion, £12.95, 192 pages)**

They roll out from the presses, biography after biography of the Hollywood stars. Are we really all so bungry to know what Kste Hepburn has for breakfast. what Bette Davis once said to ber pedicurist, why Ingrid Bergman could not let a man alone, or how Rock Hudson kept tha newshounds from his bedroom door for two decades as Moviedom'e ace virility symbol?

The answer, of course, is yes. Unreservedly. Fluctuating between glorified scandal-sheets and tittle-tattle from Tinseltown, most movie biographies never reach great psychological or literary beights. But they respond to an avid need in film lovers: to know exactly, with each great etar gathered on that Parnassus called Hollywood, wbere the myth and the man (or woman) meet and wbere they part company.

Most film luminaries, if truth be told, are different from the rest of us in no respect beyond baving a teeny blt more talent and an enormous amount more luck. Rock Hudson, for instance, was a strikingly unremarkable commodity: a man wbo gathered charisme mnch as a stone gathers moss, simply by rolling along the right pathway. Groomed for stardom by Universal, he found a long and lucrative career as Mr Handsome All-American Male. His best roles were in overheated melodramas (*Magnificent Obsession*, *Written On The Wind*), or tintinnahulating sex comedies (*Pillow Talk*) where his ease, passivity and faint hint of being above it all were a perfect foil to everyone else.

*Rock Hudson: His Story* is written by Sara Devidson with e handful of verbatim confidences from Rock himself, whom she appears to have interviewed on only one near-to-death accosion. Many former friends, colleagues and lovers chime ln. The Aids saga is panistakingly chronicled, vonchsafing on the way that Hudson revealed his disease to the world only under great pressure from friends and not willingly at all. (There goes the Gay Rights hero image.) We also beer much about Rock's love life, career crises and reportedly irresistible sense of humonr. Bnt oddly, for all Miss Davidson's efforts to suggest the contrary, Hndson emerges here as vainer, less sympathetic and even less interesting than that wry, reserved star who raised the dignity quotient of many an undignified movie by being, *simply*, there.

Laurence Leamer'e *As Time Goes By*, a biography of Ingrid Bergman, is more purposeful in its dismantling of a legend. Miss Bergman wowed Hollywood by combining inspirational beauty with peasant girl simplicity. She could be—at the same time—as wholesome as a breakfast cereal, as radiant as Saint Joan and as romantically beautiful as Garbo. No wonder that she shook the world when she ran off, leaving bushand and daughter, to lova and marry Robert Rossellini. Were there dark passions under the saintly incandescence?

Leamer says yes, many times over. The Rossellini episode, he claims, was hut the well-publicised *tip of an iceberg: if* iceberg is the right word for the torrid desires that had Bergman falling in love and/or into bed with almoet every male atar she worked with. And with several non-movie-stars: such as musician Larry Adler and photographer Robert Capa.

It is a heedy tale, its impact vitieted only by Miss B's inability to give ber own version in aelf-defance. One suspects thet man too sometimes play the "kiss and tell" game: if only to get back at a woman who outshone all of them on screen and most of them off it.

One man Bergman never elept with, even in the Gossip according to Laurence Leamer, was Sam Goldwyn. Michael Freedland's *The Golden Touch* gives us a routine but readahle romp through the mogul's life, career and Goldwynisms. The last, as always, steal the show. "When I want your opinion, I'll give it to you"; "My autobiography should only be written after I'm dead"; and my personal favourite, Goldwyn'e reply to someone who thought that the script for *Dodsworth* was too caustic, "To hell with the cost; we're going ahead." Entertaining and informative.

Those still hungry for the lives of the *glitterati*, with or without malapropisms, can pan for the revelations in Anne Edwards's *Katharine Hepburn* and Alexander Walker's *Bette Davis*. The first is well researched and decently writtan, if a touch less lively than lt might be. The second, part of Pavilion's "Celebration" series of star tributes, ls written with characteristic Walker wit, often waspishly in tune with the persona of its subject.

**Nigel Andrews**

## The Marriage of Figaro/Coliseum

**Max Loppert**

Jonathan Miller's English National Opera production of *Figaro*, given many times since its first appearance in 1978, returned on Wednesday night for another round of performances. This haa always seemed to me the weakest of Miller'e ENO stagings, the one on which his characteristic trademark of intelligence, originality, and insight failed to be stamped; hut on this occasion it came, at long last, into some degree of focus.

There was a distinct feeling of a *house*bold in which *battle* llnee were heing drawn, tensions screwed up, wounds exposed and misunderstandings plied up; the passagea of repose, of a single character on stage seated ln a chair, lost their former air of inertia. Several minor blemishes have also been removed (though the most notable of them, the presentation of the Countess's children during the "Porgi amor" introduction, unfortunately remains). It is not the most energetic *Figaro* we have seen—that only bappens when the leading characters are equally matched. But as a company presentation it has much to offer.

The cast contains an interesting mixture of old bands and newcomers. Valerie Masterson'e Countess, warmly remembered from 1978, still manifests e more certain aense of Mozartian style —which includee pbysical as well as vocal demeanour—than anyone else on stage; for the arias the voice is no longer ideally fresb of tone (thougb the second was exquisitely phrased), but the distinction remains. She is the same height as Catherine Pope's Susanna, a strong point in the last act; Miss Pope, too, la a practised *Figaro* artist, though she needs to display more flasbing temperament, mora vividness with the words (the taunt of "Your age!" to Marcellina was both timea unaccouniably thrown sway). The singing is light for the earlier scenes, very prettily turned later on. To both women Anne-Marie Owens' aturdy *Marcellina* provides a dependable foil.

Jacek Strancb, an Eoglish barltone who has had to gain hia opera experience ahroad, makes e delayed ENO dehut. It is an imhalance in this production that the female characters should seem so consistently sharper and quicker than the *male*; but *Mr Strauch's* Count, half swollen Rowlandson satyr, half scheming schoolboy, makes good the error more effectively than his predecessors, end aings well, though the voice sounded more hackwardly projected than one remembered. John Tomlinson, Miller'a original Figaro, booms less thnnderously than before —*if still* too much—but *the* mercurial quality continues to elude him, and the gamea of wits suffer.

There is e perky little Cherubino from Ethna Robinson, a delight to watch, rather less so to hear (a good voice short on legalo and lonal wieldiness). Some might feel that other parts — such as Donald Adams' Bartolo or Stuart Kale's Basilio — are overdone, yet the whole performance is firm enough in outline to contain them. For this Mark Elder in the pil must take some share of praise. Inside the opera (as he was not in the Miller production of *Don Giovanni*), he builds up the pace from scene to scene, and oversees playing clear and well-sprung of rhythm. The performance waa decently prepared, unlike the company'a *Trovatore* last month; did the ENO music director grab the lion's share of rehearsal time?

Continued from Page 18

the Prado collection includes works not seen for 15–20 years as well as recent acquisitions. Tiepolo, Bayen, Maella, Paret, Juan Bautista, Mengs. Palacio de Villahermosa, Plaza de las Cortes 6, Ends Sept 30.

NEW YORK

**Metropolitan Museum of Art:** 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. Ends Oct 5.

**Museum of the City of New York:** Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

**Museum of Modern Art:** Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in n comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

**Cooper Hewitt Museum:** Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

WASHINGTON

**National Gallery:** Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

CHICAGO

**Chicago Historical Society:** Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

**Turner (1775–1851):** Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

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# Industry's besetting sin

THE OFFICIAL theme of the Chancellor's address to the Scottish Confederation of British Industry last night was the revival of an enterprise culture in the UK. Govarnment and industry, claimed Mr Lawson, had together succeeded in turning the economic tide: at last a framework had been created in which business could flourish. Lurking beneath this surface optimism, bowever, was what appeared to he a quite profound disenchantmeot with industry's response to government policy. The telling part of the Chancellor's speech was the section dealing with industry's "weaknesses."

Many — perhaps most — postwar British governments have ended up helieving that industry in some sense "failed" them. Labour governments under Mr Harold Wilson and Mr James Callaghan constantly criticised business for failing to invest sufficiently. The Conservative government of Mr Edward Heath in the early 1970s quickly became exasperated with industry's lack of response to its initiatives. It is not surprising, therefore, that Mrs Margaret Thatcher's administration is succumbing to the temptation to lecture industry on its shortcomings.

There is no denying that politicians have a point. British industry has scrapped old plant and greatly reduced its payroll, but still seems incapable of expanding from its new, lower-cost base. The CBI expects manufacturing output to fall by about ½ per cent this year and grow only very sluggishly in 1987. This is disappointing given the scale of rationalisation that bas occurred and the weakness of tha recovery eince 1981.

### Highly successful

The CBI also pointed out earlier this week that UK exports are growing at only about balf the rate of increase of world trade. This means that, in spite of a recent devaluation of sterling of abont 20 per cent against the D-mark, the UK is continuing to experience a rapid contraction of its share of world markets. This relative failure will become more noticeable as the revenue from North Sea oil starts to tail off sharply.

Some British companies, of course, are highly successful; there are pockets of brilliance even within manufacturing. The problem is that government policies have not yet sparked off the across-the-board industrial renaissance which is so badly needed. Industry has not made the transition from rationalisation to expansion, manufacturing investment is still lower in real terms than in the late 1970s. Many companies are awarding much bigger pay increases — both to directors and ordinary workers — than their competitors overseas, and yet at the same time doing mnch less to secure their long-term share of markets.

### Excessive awards

The dilemma for a non-interventionist government is how to react to such developments. Ministers in the past have argued that market participants know best that politicians are in no position to lecture businessmen. Mr Lawson seems to be moving cautiosuly away from this position; last night he foond fault with industry'e decisions on research and development, training and pay.

The criticism is not without foundation. Civil R and D spending, as a proportion of GDP, is only about half the level of competitor countries. West German industry, with a similar-sized workforce, spends three times as much as British business on training. Unit labour costs in tha UK are rising at an annual rate of about 7½ per cent compared with under 2 per cent in tha US, France and West Germany.

Industry's "hesetting sin," according to Mr Lawson, is its tendency to take a short-term view. This, he thinks, explains the inadequate investment in R and D and training, and the excessive wage awards. Exhortations to take a longer-term view, however, are in themselves pretty futile. The Chancellor needs to explain why industry, freed of many of the constraints imposed by previous governments and subject to evaluation by the capital markets, should be so myopic. He also needs to explain more fully the criteria by which he diagnoses the myopia—it is not, surely, merely on the basis of international comparisons. Mr Lawson would then be in a position not merely to lecture industry but to recommend some practical steps which might be taken to encourage longer-term horizons in business.

# Nonsense of a minimum wage

WITH DEPRESSING regularity by British trades union movement and the Labour Party adopt proposals which undermine the attempts of both to throw their policies forward to match the economic and social conditions facing the country fore the foreseeable future.

The agreement at the Trades Union Congress in Brighton this week that a future Lahour government should introduce a statutory minimum waga of at least £80 a week brings tha unions into line with official Labour policy adopted at last year's party conference. This puts the labour movement firmly on tha wrong foot. If the body politic of the Labour Party and the union movement still cannot differentiate between minimum wages and minimum incomes it raises serious doubts about its ahility to offer any viable solutions to the vexed issue of poverty.

The fallacy of chasing a policy of a national minimum wage was encapsulated by one of its main proponents at the TUC conference. Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees, said during his impassioned plea for its adoption: "If it's OK for the Tories to bring in laws making the rich richer, it's OK for us to hring in laws to stop the poor getting poorer." In reality, a national minimum wage has by definition no direct impact on non-wage earners. No benefit would be derived by the millions of old age pensioners whose incoma is below £80 a week. Nor would it help the lengthening queue of the short and long-term unemployed.

### Social justice

Indeed, not only does international evidence suggest that national minimum wage legislation is often unenforceable—because significant numbers of people are willing to work for lower wages in preference to no wage—but it also suggests that youth unemployment may be made worse by the imposition of a statutory minimum.

Of Britain's EEC partners, France has the most significant national minimum wage legislation. The salaire minimum interprofessional de croissance has existed since 1950 and guarantees an bourly minimum to all full-time workers aged 18 and over. After President Mitterrand's Socialist government was elected the minimum waga increased sharply, relative to both average earnings and the price of goods produced by industry.

An analysis by the Organisation for Economic Co-operation and Development suggested that in spite of the aims of social justice which motivated the rise, it was counter-productive because it encouraged employers to hire older workers or install new machinery rather than pay high wages to young people, thus worsening teenage employment prospects.

It is hard enough for school leavers in Britain to find work of any description, a problem exacerbated by a labour market which remains fairly rigid in spite of the Government's efforts to make it more flexible. A national minimum would represent the very worst kind of intervention, reducing rather than enhancing the chances of a first joh for teenagers; no hairdressing salon is going to employ anyone from the abundant pool of eager trainees at £80 a week.

### Poor people

The real problem in Britain is not low wages but low incomes. There are too many poor people in Britain relative to the living standards of those on average earnings. Those with incomes which are too low include the unemployed, pensioners, low-paid workers, many single parents and many disabled people.

The urgent need is for a system of raising minimum incomes through a new system of redistribution which makes the taxation and henefits systems work with, rather than against, each other. Much work is being done on this subject, ranging from internal political party analysis to cross-party research by organisations such as the Basic Income Researcb Group. So far it has not been possible to construct an equation which substantially raises minimum incomes without placing an intolerable burden on middle range income tax payers. But that is no reason to stop the work or to retreat unhelpfully into the dogma of the past. Raising low pay will probably not reduce poverty in working families and will certainly not reduce poverty elsewhere: raising minimum incomes will.

THE NEW AERO-ENGINES

# A path to cheaper flight

By Michael Donne, Aerospace Correspondent in Farnborough

"THIS is the future. Believe it . . . it works." The words come from General Electric of the US, describing the progress of its revolutionary new concept of aircraft propulsion, the prop-fan.

But they could just as easily be applied to all of the strange new shapes appearing on the stands of the major airframe and aero-engine companies in the hig exhibition halls dominating the airfield at this year's Farnborough international air show.

Mnch has happened over the last two years since the previous Farnborough show in 1984, when General Electric'e announcement that it was emharking on the development of the new prop-fan engine was greeted with scepticism. Since then tha prop-fan bandwagon has begun to roll with increasing speed and virtually every major airframe and engine manufacturer in the world is now climbing on board.

What caution remains is focused on the timing of the emergence of the prop-fan, rather than on the technology.

First explored under a joint General Electric/National Aeronantics and Space Administration study contract for only a few million dollars in 1984, overall US investment in the prop-fan engine development has since risen to well over $1bn a year, and continnes to grow while spending elsewhere is also increasing rapidly.

It is a concept which could revolutionise tha economics of civil aviation. The prop-fan engine offers the promise of savings of up to 40 per cent in fuel consumption over today'a generation of turbo-fan (jet) engines, or 25 per cent compared with the new-generation jet engines already under development for service in the early 1990s. Even with tha recent reductions in fuel prices such savings are eagerly sought hy the airlines which face constantly rising costs in other areas.

When such savings are matched with the prospects of smoother, quiater flight—which the prop-fans also promise — along with speeds matching those of jet airliners (something that the existing turbo-propeller engines cannot offer) the lure of the prop-fan becomes even greater.

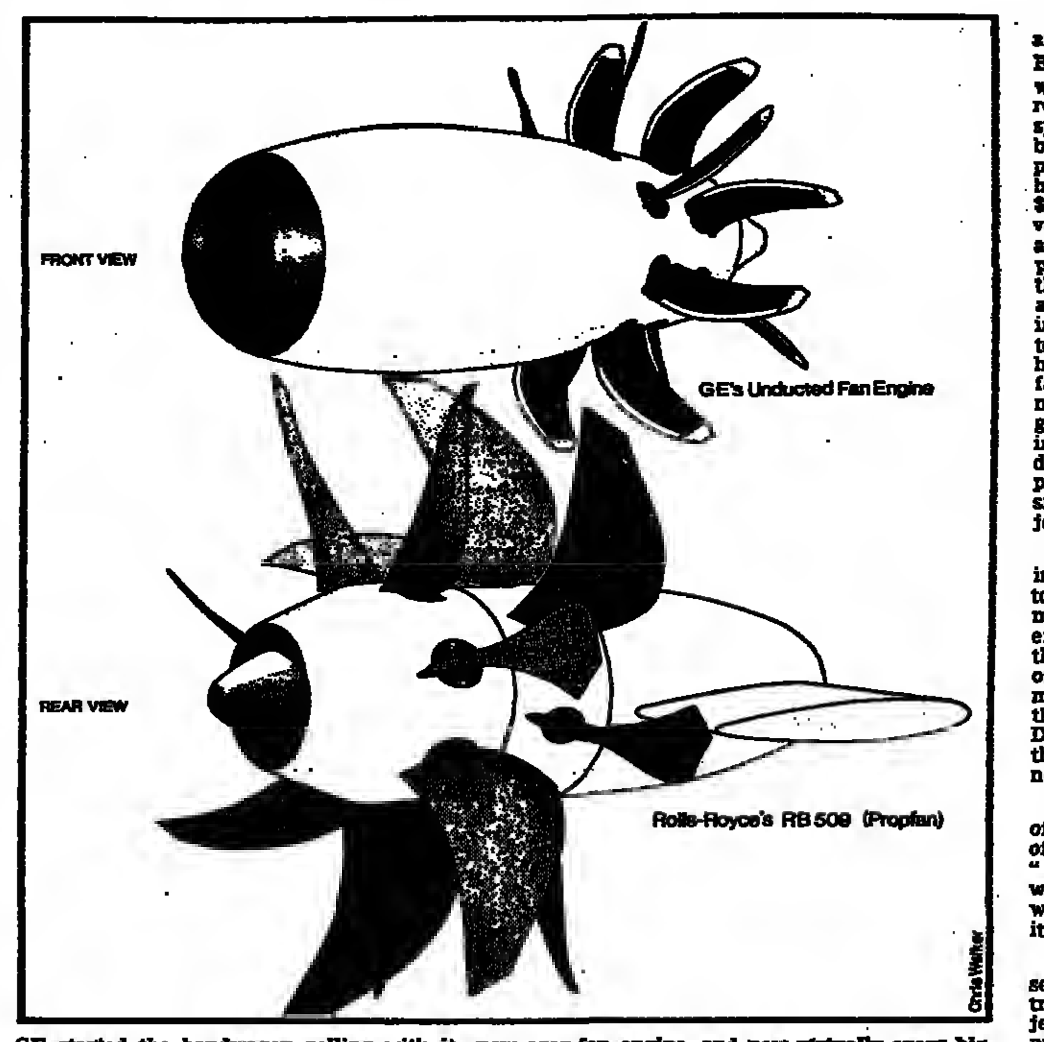
What precisely is this concept of propulsion? Fundamentally, it is an extension of the already well understood principle of turbo-prop power, in which a propeller is harnessed to a gas-turbine engine. The difference with the prop-fan lies both in the propellers themselves, which are shaped like ships' screws rather than conventional propellers, and in the refined design of the gas-turbine engine which gives more power output for a specific volume of fuel consumed. When married together, the result is the prop-fan.

What has becoma apparent at this year'e Farnborough show is that there are now many different versions of the prop-fan concept, with many different names. But all employ this fundamental principle.

For example, some manufacturers (General Electric among them, which has a clear lead in developing the engine and is the only company yet to have tested it in flight) argue strongly that prop-fan engines do not need gearboxes. GE'e current "Unducted Fan" version of the prop-fan, which made its maiden flight recently at Mojave in the California desert, mounted on a Boeing 727 flying test-bed, does not have a gearbox. Others, such as Rolls-Royce, believe that a gearbox is essential for some types of prop-fan engine (although not necessary for others).

What has emerged at Farnborough, and what ie so significant for the future of the air transport industry, is that the prop-fan concept has hlossomed into a veritable forest of different types from the seeds sown by General Electric two years ago. The claims being made for the prop-fan concept still have to he proved in practical flight. General Electric's own flight test programme in conjunction with Boeing is claimed to be producing results matching if not exceeding the original predictions, but it is still in its earliest stages. Yet the fact that a prop-fan engine has actually heen huilt and is flying appears to have convinced most of the sceptics that they can no longer ignore the development. The announcements of new prop-fan venturea this week have thus been flowing vigorously.

Boeing, the world's biggest manufacturer of jet airliners, which has made no secret of its programme to develop a 150-seater twin-engined prop-fan airliner, the 7J7, for service in 1992, revealed that it was also considering the possibility of a complete "family" of prop-fan powered airliners.



GE started the bandwagon rolling with its new prop-fan engine, and now virtually every big manufacturer is climbing on board.

## The economics of civil aviation could be revolutionised

These will include a new, smaller prop-fan airliner, eeating hetween 100 and 110, that would rival the smaller MD-91X 100-seater prop-fan, now under development by McDonnell Douglas, and intended for service in 1991. Beyond that, Boeing is considering a prop-fan version of its hig 747 Jumbo jet, the 747-500, for service in the mid-1990s, and is also talking of pntting prop-fans on to a new version of the 767 wide-bodied twin-engined medium-to-long-range airliner, called the 767-500.

British Aerospace has recognised that the emergence of 100-seater prop-fan airliners could damage the market prospects of its own four-engined jet-powered Type 146 airliner, and it has begun detailed studies on installing two prop-fans on that aircraft some tima in the 1990s, in place of tha four jets now used. Similarly, Fokker of the Netherlands, which is building its twin-jet airliner, the F-100 for service later this decade, is also looking at the possibility of converting to prop-fans some time in the 1990s.

Even Airbus Industrie, which is building the A-320 twin-engined advanced technology airliner for service later this decade, as a 150-seater, has bowed to the inevitahle, and now admits that it would be ready to instal prop-fans on its airliners "when they have been developed and ensure sufficient maturity and economic gains for efficient airline operations to justify their application."

Among tha engins manufacturers, Pratt & Whitney of the US, together with the Allison Division of General Motors, is developing the 578DX prop-fan that will be test-flown next year on a McDonnell Douglas MD-80 airliner. McDonnell Douglas will also test-fly a second version of the General Electric engine, which will differ in design from the engine now flying. This will still have two counter-rotating hubs (the basic configuration of any prop-fan engine), hut instead of having eight hlades on each hnh, it will have 10 blades on one huh and eight on the other. This, say McDonnell Douglas and General Electric, will result in a much quieter engine even than that now flying—and that, according to observers of the maiden flight of the first prop-fan engine, was exceptionally quiet.

Rolls-Royce has made a big splash in the prop-fan pond at this year's Farnborough. It is showing models of three possible prop-fan engines on its stand, including a massive "Contra-fan" engine of a type that would be suitable for Jumbo jets, a smaller "Super-fan" for use on medium- to long-range airliners and another "prop-fan" for use on short- to medium-range airliners.

Rolls-Royce believes strongly that the biggest market, hy value, for tha prop-fan concept lies with the big engines on the long-range airliners of the future, and much of its work is now concentrated in this field.

Rolls-Royce points out that to get the hest share of tha market, it is necessary to build prop-fan engines that can be mounted underneath the wings of existing types of airliners. This would make it possible for airframe manufacturers to avoid redesigning these aircraft at vast cost. Accordingly, Rolls-Royce is also working actively to develop shrouds, ducts or nacelles for its prospective engines, making those engines safe to instal under wings.

At present, the prop-fan engine flying with General Electric and Boeing, and several of the other engines in prospect are what are called "open rotors"—that is, their blades are unshronded. There are some who believe this is not desirable, especially while aircraft are on the ground, and that it increases the risks of hlade damage in flight.

These are issues which the vast prop-fan programmes now under way on both sides of the Atlantic still have to resolve, along with such battles as "blade containment"—preventing blades from shearing off in flight.

What do the airlines feel about all thie activity? Those visiting Farnborough have expressed polite interest, but are reserving judgment until they see performance figures from the flight-test programmes, and more significantly, are told by the engine and airframe manufacturers what the new devices will cost.

No one so far is ready to give answers to those questions. Boeing merely says its new 7J7, which it will start to canvass round the world's airlines next spring and early summer, will be offered at "an affordable price," but it is difficolt to see how it could be less than, say, $25m an aircraft, if current investment is to be recouped. Such a price would appear to be competitive with othet aircraft of the same size. In view of current airline financial difficulties, selling the prop-fan engine concept to the airlines may prove the hardest part of the manufacturers' task in getting the new propulsion system off the ground. There is already an investment of many billions of dollars in existing airline jet-powered fleets, apart from massive outstanding order books for jet aircraft yet to be delivered.

The airlines—and their financing institutions—will not want to see any part of those investments jeopardised by the emergence of the prop-fans. In the event, however, the promise of those massive fuel savings may swing the balance. Nevertheless, both Boeing and McDonnell Douglas, the leaders in the prop-fan airliner stakes, do not appear daunted.

Mr Jim Worsham, president of the Douglas Aircraft Division of McDonnell Douglas; says: "We can make it happen, or we can watch it happen: but it will happen. We intend to make it happen, before anyone else."

General Electric echoes the sentiment. It argues that the transition from current turbo-jet and turbo-fan engines to the prop-fan concept will be similar in magnitude to that from piston engines to jets in the late 1940s and early 1950s. General Electric believes that the prop-fan era is already here. "No technological obstacles remain," claims its latest brochure on its prop-fan programme. It adds that by the year 2000, prop-fan-powered aircraft will reduce the total fuel consumption of the airline industry by 13 per cent, with savings of up to 50 per cent in that part of the market using its own (GE-built) engines.

## 'No technological obstacles remain,' says General Electric

Making those claims come true is the task that General Electric, and all the other airframe and aero-engine manufacturers face over the next few years. But if the increasing pace of investment and activity in this area of aerospace technology over the past two years is continued, there is every reason to believe that "the prop-fan era" really could emerge inthe 1990s.

# Men and Matters

## Right problem for M'Bow

A SHAKE-UP has just taken place in the French delegation at UNESCO which could be significant for tha future of the trouble United Nations agency for education, science, and culture.

Jacques Chirac, the French conservative prime minister, has decided to replace Gisela Halimi, the French permanent delegate at UNESCO, appointed by the former socialist government with a woman from his own fold.

The new French delegate is Marie-Clande Cabana, the wife of tha current minister for major administrative reforms, Camille Cahana.

He was in charge until recently of the government's privetisation programme hefore being appointed to the administrative reform portfolio.

Like her husband, Marie-Claude Cabana, aged 42, has been a close aide of Chirac.

The departure of Gisele Halimi, a major figure on the French feminist scene, is not surprising. As a diplomat she proved prickly and difficult. Apart from founding and leading a number of feminist movements she made the headlines as the passionate defence lawyer of the Algerian independence movement.

The change in the French delegation is important hecause it comes at a crucial moment in tha chequered history of UNESCO.

France is likely to play a hig role in coming months in the manoeuvres for election of a new UNESCO director-general.

Amadou M'Bow, the controversial present DG from Senegal, is campaigning for a third term when his current mandate runs out in October next year.

But his management of UNESCO was one of the reasons for the withdrawal of the United States and Britain from the agency — plunging UNESCO into a financial crisis.

Most western nations would like M'Bow to be replaced next year. But the resolute director-general can count on the support of most developing and non-aligned countries.

France is perhaps the only country which could swing the decision one way or the other.

Naturally France likes a flourishing UN agency in Paris. And Chirac is said to find M'Bow an agreeahle man.

"We don't accept just lip service to a National Minimum Wage in here yon know."

## Uhrig's rise

The appointment yesterday of John Uhrig as chairman of the RTZ - controlled Australian mining house, CRA, will not create ripples in the investment community, as did Sir Roderick Carnegie's decision to quit the job at the end of the year.

Carnegie is best known as the maverick who agitated openly to have RTZ reduce its holding in CRA to the point where the Australian public had control.

That is yet to happen but, given that RTZ is hovering just above the 50 per cent mark, Carnegie was satisfied with his achievement to this point, and apparently convinced that the "Australianisation" of CRA would come eventually.

That achieved—and having apparently been rebuffed by Sir Alistair Frame, when he wanted to rescue BHP from Holmes à Court earlier this year — Carnegie decided to move on.

He has already snapped up the position as head of the Business Council of Australia, has been mooted as a possible BHP chairman if his protege, John Elliott, gets control, and has even been mentioned as a prospective opponent of his former Oxford University friend, Bob Hawke, in the political arena.

Uhrig joined tha CRA board as a non-executive director in 1983, while still managing director of the white goods group Simpson Holdings. He stepped down as chief executive at Simpson a year ago.

Like Carnegie, Uhrig has his contacts in Canberra. He was chairman of an inquiry into the Industries Assistance Commission in 1983, and a foundetion member of the National Companies and Securities Commission, the government body which administers, takeovers.

## Paper money

Amid the howls of pain from the energy industry it is heartening to hear that some people can still make a killing in it.

Three journalists—Patrick Coyne, Jacquie Maskell, and John Murray—have just sold the lively energy magazine Energy Manager for £330,000 to the Maclaren division of East Midlands Allied Press.

I understand that they themselves paid less than £10,000 for it five years ago, when IPC (which had launched it less than two years earlier) saw no future for it, and decided to sell it to the staff.

Led by Coyne, a nuclear physics graduate, they built it into the leading journal on energy-using equipment. The staff of six also runs a thriving exhibitions business.

They are selling, says Coyne, because they received such an ettractive offer. But with the oil price fall, and reducing interest in energy conservation, he and his partners presumably feel it has less potential than in the past.

The trio is also seeking a buyer for its company's remaining assets — two technical papers.

## Low tech answer?

It looks as if humans will be replacing rohots for some straightforward work in modern factories.

A psychologist told this cautionary tale yesterday at the British Association's conference in Bristol.

Dr Toby Wall of Sheffield university said engineers had heen asked to design a new factory to make bicycle pedals, using an existing shopfloor with two parallel conveyor tracks.

The engineers lined one conveyor with the latest computer-controlled machine tools making tha parts, and the other with compnter - controlled assembly machines for the pedals. At the end they positioned a robot to pick up finished parts and place them on the track.

The system worked. But eventually the engineers removed the robot at the end of the line and put a human operator in its place.

The reason, they explained, was hecause the task "mada such little use of the robot's potential and capabilities."

**Observer**

IT OCCURRED to me to write a letter about what is happening in London at the beginning of September. The short response is that nothing much has changed. The tourists came back in August. There is rather a *good revival of "Rookery Nook"* at the Shaftesbury Theatre of Comedy; there was a fascinating premiere of electronic music by Jonathan Harvey at the Proms, though the audience was thin. One novelty is that Wimbledon Football Club is top of the first division. The weather has been none too pleasant.

The interesting question, however, is why everything is *so quiet; almost eerily so.*

If you have been abroad for part of the summer—in France or West Germany, for instance—you can hardly have failed to notice the contrast on your return. Britain, or at least London, still seems to be relatively pleased with itself. Yet the standard of living in other European countries steadily rises above ours. It is as if the statistics showing superior gross domestic product per head can now be read in people's faces, in their clothes, in the streets and shops of continental Europe. And yes, though it is impossible to back it up other than anecdotally, it looks as though the French and the Germans have become happier, certainly more self-confident, than we are.

I went briefly to Cologne, a city that I know reasonably well and which has been rebuilt several times since the war. The revelation was the gaiety of the place. Young people walked through the streets and stopped to watch jugglers. Young and old people walked happily along the banks of the Rhine. It was a different world from an English city. It used to be said that the Germans tried to relax out of duty. Nowadays they do it for pleasure.

Foreign visitors to, and admirers of, Britain are too kind to us. What they see as stability might be better described as complacency.

Two typically British stories struck me when I came back. The first was about the introduction of visas for people from some African and Asian countries wishing to visit Britain. You may have seen the scenes at London Airport's Terminal Three: crowds of blacks held up for questioning while you walk through more or less unchallenged. No doubt some of them are potential illegal immigrants. Yet there must be some better way of dealing with the problem than obliging them first to seek visas in Pakistan, India, Bangladesh, Nigeria or Ghana; improving the facilities and increasing the staff at Heathrow, for example. Once visas have been introduced, they are going to be very difficult to get rid of. It looks enormously like discrimination, and one cannot say with confidence that the British Government minds that impression.

Politics Today

# It could be the calm before a storm

By Malcolm Rutherford

Mr Neil Kinnock (right) receives a standing ovation, led by Mr Fred Jarvis, general secretary of the National Union of Teachers, at the TUC Congress, Brighton.

The other was about the successor to Mr Stuart Young, who died last week, as chairman of the BBC. There is a lot of humbug about this. Everyone knows that the chairman has very limited powers over broadcasting, yet there is more than a suspicion that part of the Conservative Party—Mr Norman Tebbit, for instance—would like to put in someone to clean up the corporation: to act, in fact, as a kind of censor.

The Prime Minister is leaning heavily towards Lord King of British Airways. Perhaps he would turn out to be an admirably independent figure, if appointed. Yet if she really wants a successful businessman to make the BBC more efficient, it might be better to go for (say) Sir John Harvey-Jones, the chairman of ICI. At least it would look less of a political appointment. Sir John's sympathies, formerly with Labour, are now with the Social Democratic Party. The fact is that reform of the BBC has been ducked. The Government will not take its hands off it and set it free. The Tories' long march through the institutions goes on.

If this sounds like the plea of an old-fashioned liberal, it is worth noting that the Alliance is also in some disarray. Dr David Owen and Mr David Steel have gone off to France to try to sort out some sort of nuclear defence policy compatible with the wishes of our allies. Nothing wrong with Paris, of course; France is the only other European nuclear power. Yet it is extremely odd, to say the least, that they have not gone to Bonn as well. The French have their own line. It is what the Germans think about defence that we want to know

Again, there has been the confusion about the Social Democrats' proposals for the reform of tax and benefits, published two weeks ago and now apparently shelved. Simplification of the tax and benefits system used to be one of the best planks in the platform. They messed up the figures and did not sufficiently consult their Liberal partners. It has become harder to see the Alliance as what Mrs Shirley Williams once described as Britain's "last best hope."

On the civil nuclear side there is confusion all round. To be fair, after Chernobyl it is not confined to Britain, nor to any particular party. But there is one point worth making: to reject nuclear power will be a decision of momentus implications. It will mean deliberately turning our backs on a technology. Perhaps we feel rich and warm enough to do so, but one could wish for some attempt at all-party agreement before surrendering to the anti-nuclear lobby. It has begun to look as if ne party in Britain feel strong enough to stand up to it.

For my part, I have never seen why it is impossible to be both green and pro-nuclear-energy: conserving the best of the old while pressing ahead with the best of the new. It is a task that may be eluding the Conservative Party.

But, you will say, it will all depend on the economy. Politics always does. Here there is not much enlightenment since the early summer. The oil price seems to have stabilised closer to the $15 a barrel which was the basis of the assumptions in Mr Lawson's Budget, so there may be some comfort there. The pause in economic growth that the Chancellor acknowledged in June has still not come to an end, though it is still too early to say that it will turn into a full-scale recession. Mr Lawson is no doubt looking forward to the forthcoming meetings at and around the International Monetary Fund in the hope that the Germans and Japanese can be persuaded further to stimulate their economies. There might then be a fall in British interest rates, which is the best he has to offer in the near future.

Unemployment has continued to rise, though so far without the expected political eruption. Perhaps that will come at the party conferences with the realisation that we may be going into another winter with the figure still rising.

A sort of preview of the party conferences took place at the Trades Union Congress in Brighton this week. Two facts stood out about it. One was the relatively subdued behaviour of the unions. They so desperately want the Labour Party to win the next general election that they have ceased to ask for the moon. Instead they seem prepared to give a Labour Government the benefit of the doubt, at least in its early stages. Indeed, the decline of trade union political assertiveness may turn out to be one of the lasting results of Mrs Thatcher's administration.

The other fact was the performance of Mr Neil Kinnock, the Labour Party leader. Last year he took on the extreme left at the Labour conference in Bournemouth and more or less won. This time he made it perfectly clear that he wants a rather more arm's length relationship between a Labour Government and the unions than has been the case in the past.

Though sceptics may dismiss this, there was something else about Mr Kinnock that impressed. It was his realisation of the scale of the task facing any British Government that wants to turn Britain round and catch up with the French and the Germans, or at least stop falling behind.

Mrs Thatcher knew in 1979. She has every reason to know it still, though after seven years her achievements look limited. Dr Owen knows it, and rarely ceases to emphasise the extent of the country's relative decline. Coming from Mr Kinnock, it was new.

Can he make it? The odds must be against him. Under his leadership, Labour's support in the opinion polls has never risen significantly above 40 per cent. The party has often done rather less well than that in by-elections. There is also still a tendency to overlook the Alliance, which he never mentioned in his speech. The Liberals and the Social Democrats may be having their quarrels, but together they still pick up votes. There may be an anti-Thatcher majority in the country, but her Government is still helped by the existence of two oppositions.

Besides, for all the banana skins of recent years, Tory support in the polls has never slipped much below 30 per cent.

Yet there is just one other way of looking at it. All the economic logic dictates postponing the election until 1988 when unemployment may at last have begun to fall and there could have been two more *rounds of tax cuts.* But the political consequences for the Tories could be pretty devastating if the election is postponed and the economic recovery still does not take place. Mr Kinnock might benefit most from the delay. He has shown at least that he is learning all the time.

Either way, however, do not expect miracles. The most astonishing fact is that Britain seems to have accepted its decline with such quiescence. Or is it the calm before a storm?

Lombard

# Securitisation is a five-letter word

By Anthony Harris

*THIS WEEK* the *British* Government almost casually raised $4bn with an issue of floating-rate notes in the Euromarket, on the finest possible terms—which is not, of course, the first time the reserves have been replenished from this source. However, things do change. A few years ago, such a loan would have been arranged through a syndicated credit, probably accompanied by a good deal of chest-thumping; and at that time the finest terms, however fine, would still have left some sort of margin for the lending bank. Now the Government can raise money more cheaply than the banks can—and so can a number of very large companies.

A pendantic footnote? That may be what the banks would like you to think; but as Tim Congdon of Messels illustrates in a circular this week, this growing tendency te raise money direct from investors—securitisation is the current Americanism for it—is not just a matter of fashion. It expresses something nasty that is happening to the banks; the plain English for it is "decay."

Credit flows, both in the Euromarkets and in the American domestic market, for that matter, are by-passing the banks because the banks are increasingly unable to compete. Banks can still save trouble for investors and borrowers, offering each precisely tailored terms and quantities, but that was never really the edge that enabled them to borrow much cheaper than they lent.

What they really offer, as *Congdon* is perhaps *too* kind-hearted to point out, is reputation. A bank deposit or a bank guarantee or acceptance used to be worth *something* in hard cash—as it still is in London. In the international and US markets, though, many reputations are in shreds; solid commercial borrowers can get better terms on their own name than the banks they used to borrow from.

It was the debt crisis rather than the expansionist ambitions of Merrill Lynch or Salomon Brothers which caused the change. *Because of bad debt* worries, the banks have been required to find more capital to back any given volume of business, and for the same reason their market rating has suffered. This has made it more expensive for them to do business.

At the same time the fierce competition for any decently high-quality business has reduced the spread between the cost of funds and the return on loans, so that the gross return has gone down as the cost has gone up. Small wonder that US banks are no longer going for growth, and are lobbying furiously to be freed of the restraints of the Glass-Steagall Act, so that they can get into the issuing side of the business.

The change has certainly been dramatic. In the US there has been virtually no growth in commercial bank lending for well over two years. When all the dud loans to commercial real estate, farming and oil have been given up for lost, there will no doubt be a sharp shrinkage. In the Eurocredit market growth has dropped to about 8 per cent annually—and most of this is unpaid interest. Paper rules.

*Not* in the *British* credit market, though. The UK banks are entitled to feel a little complacent about the fact that despite all the traumas of recent years, their standing is still such that most borrowers still prefer to raise funds through a bank, and sterling investors (by no means all British) are still happy to take up seemingly limitless bank paper.

How long will it last, though? Barclays Bank has already voluntarily gone ex-growth, and as the banks learn new market-making skills they may find that issuing paper yields fee income, ties up less capital, and means less exposure. The pursuit of growth leads banks into murky areas. UK bank growth does say something favourable about the banks concerned; but a voluntary withdrawal from some areas, long before debt worries force a withdrawal, might be more creditable still. Frightfully British, too.

## Letters to the Editor

### Employees and takeovers

*From Mr J. McMullen*

Sir,—You rightly identify the lack of rights of British employees when their businesses are taken over (editorial September 2) and bemoan the absence of statutory rights to consultation such as exist in Holland and Sweden. But the mechanism does exist in the UK to provide realistic security given, as you say, that acquisitive companies serve their own interest by obtaining the views, consent or even enthusiasm of prospective employees.

The UK Government was slow to implement (by the Transfer of Undertakings Regulations 1981) the 1977 EEC Directive on safeguarding employees' rights. Consultation — but not its more sanguine relation, negotiation — is required with unions recognised for collective bargaining over the transfer of a business as a going concern. Under the directive (but not the regulations) the aim is to secure agreement on measures affecting employees as a result of the deal.

The deficiencies in the present law are that it does not apply in the paradigm and currently topical case of takeovers and mergers by means of share acquisition, or of a transfer of mere assets (including employees!) or, probably, the privatisation of a public service. Even where the regulations do apply to the transfer of a going concern, the Court of Appeal held in May 1986 that job security of existing employees can be disposed of very simply by the transfer deeds.

Amendment to the regulations, and enforcement of directors' duties, now in section 309 of the Companies Act 1985, to consider the interests of employees, could overcome some of the inhumanity caused by the lack of employees' rights in the current climate.

Jeremy McMullen,
*15 Old Square,*
*Lincoln's Inn, WC2.*

### Light rail systems

*From the Director,*
*Railway Industry Association*

Sir,—The London docklands redevelopment is one of the most exciting and encouraging projects being undertaken in Britain today. Its imaginative approach to the blight of urban decay is surely an example which other cities throughout the UK can follow.

Mr Cliff Bonnett (August 21) attributes some of the success of the docklands redevelopment to the new light railway system which forms an integral part of the project. He goes so far as to say that the railway is succeeding beyond all expectations in stimulating the regeneration of the docklands.

Ever since the first commercial railway services opened in England in the 1820s, the railways have been a vehicle for social and industrial advance. Therefore it is no surprise to those of us who work in the railway industry that modern railway technology is having the same effect in London docklands as the first railways had in England in the early years of the industrial revolution.

What is surprising is that we in Britain are lagging behind our industrial competitors in Europe, Japan and the USA in investing in light railway systems as an aid to industrial regeneration in the inner cities.

In Britain today light rail systems are being mooted in Birmingham, Manchester, Sheffield and several other major cities. The success of docklands coupled with the evidence available from the Continent of Europe points the way to a major programme of investment in light railways in Britain in the next decade. It is long overdue.

D. R. Gillan,
*9 Catherine Place, SW1*

### Forestry investment consultation

*From the*
*Director, Economic Forestry Group*

Sir,—There has been comment in the Press recently following the publication by the Ramblers' Association and the Royal Society for the Protection of Birds report, The Theft of the Hills: afforestation in Scotland, in which separate references have been made to the Economic Forestry Group and to tree planting in Scotland.

Emphasis has been placed on the attractiveness of forestry investment for people who pay income tax at the highest rate being supported by government planting grants. In the UK alone the cost of producing and selling surplus grains would pay for these forestry grants at current levels for the next 100 years.

To qualify for the grants available all planting by private landowners is subject to a consultation procedure supervised by the Forestry Commission during which the Agricultural Department, local authorities and certain conservation and amenity interests are consulted for their views. Economic Forestry Group firmly supports this principle of consultation and in every case with which it has been involved has accepted the ultimate decision.

The Government recently confirmed a target for new planting of about 30,000 hectares per annum with the major contributions to be made by the private sector, and although the total area planted by private investors and the Forestry Commission has increased over the last few years the level of new planting is still significantly short of this objective.

A relaxing of the constraints on planting land would not only help reduce the UK's huge timber import bill, currently exceeding £4.6bn per annum, but also help towards the creation of employment as well as a more stable rural economy.

Andrew Jennings,
*Forestry House,*
*Great Haseley,*
*Oxford.*

### Contingency fee injustice

*From Mr S. Crossick*

Sir,—Dr Hermann in his article of August 28 states that the UK needs a contingency fee system. He does not, however, say who would pay the losing party's costs. So long as unsuccessful litigants are required to pay the costs of successful ones, any contingency fee system, to be effective, must make provision for this. The abolition of such a rule would lead to injustice and vexatious litigation and create more mischiefs than Dr Hermann's suggestion seeks to remedy.

Stanley Crossick,
*118-128 Avenue de Cortenbergh,*
*1040 Brussels.*

### Valuable role of local enterprise

*From the Managing Director,*
*West Yorkshire Enterprise Board.*

Sir,—I read with interest the article by Chris Moore and Simon Booth (August 27) on the merits and demerits of setting up equivalents to the Scottish Development Agency in the English regions.

The article mentioned the Enterprise Board experience but suggested that they are "ideologically unsound, displace market forces and represent a loss of control by the centre."

While the West Yorkshire Enterprise Board (WYEB) and its sister Enterprise Boards may or may not be ideologically unsound, they are certainly not displacing market forces. WYEB's record as an investment institution shows quite clearly that more conventional financial institutions do not provide for the investment needs of the smaller company. In closing the funding gap Enterprise Boards can play a valuable and complementary role to that of City institutions.

The "loss of control by the centre" argument does not hold water either. The region-wide role played by Enterprise Boards — WYEB is active throughout the Yorkshire and Humberside region—does not involve taking over powers and responsibilities from central government *departments.*

If the experience here in Leeds is anything to go by, civil servants and their political masters welcome local initiatives that offer both an innovative approach and partnership in protecting existing, and creating new, job opportunities.

A. M. S. Pickering
*Elizabeth House,*
*9-17 Queen Street, Leeds.*

### Bloodhounds on the wrong scent

*From Mr J. Griffiths.*

Sir,—Mr Matthews (August 30) is right: no Government in the foreseeable future is likely to have the nerve to tackle the black economy, which will continue to flourish like the proverbial bay tree. Bad enough, but even more infuriating is the unacceptable face of our fiscal system whereby certain gentry (if that is the proper name to call them by) enjoy, if I am rightly informed, as "VAT inspectors" extensive powers of entry, search and seizure of documents which would be the envy of many totalitarian states. These powers they use, it appears, to make life miserable for the self-employed and other hard workers whose only offence in most cases, if not all, is to have striven to uphold the fabric of our tottering economy.

A Government with the strength of purpose to give convincing proof of intention to call off these bloodhounds from their present defenceless quarry and direct their not inconsiderable skill and experience in using the powers with which they have been invested to excising the social cancer of the black economy would deserve a resounding electoral victory. Whether this occurs or not is another matter; the votes of Mr Matthews and myself can hardly bring about an avalanche at the polls, more's the pity.

John G. Griffiths,
*Jesus College,*
*Oxford.*

### SDP tax reforms

*From Dr F. Valentin,*

Sir,—To add to the points raised by Mr M. B. Daniels (August 30) concerning the effect of the SDP's proposals on occupational pensioners there would be the same 31 per cent increase in tax on those over 65/60 (and hence paying no NI contributions) who for one reason or another, perhaps necessity, continue working. Not exactly the best way to win votes, I should have thought.

(Dr) F. H. H. Valentin.
*Elm Tree House,*
*Letchworth Lane,*
*Letchworth, Herts.*

FINANCIAL TIMES

Friday September 5 1986

# Lloyd's profit hit by syndicate losses

**By Our Financial Staff**

LOSSES at the troubled PCW syndicates cut 1983 profits at the Lloyd's insurance market from £179m ($268m) to £36m, it was revealed yesterday. The latest impact of the PCW syndicates on the insurance market emerged when Mr Peter Miller, the Lloyd's chairman, presented results for the 1983 trading year.

In 1982, Lloyd's profits of £130m were cut to £57m by PCW losses. Mr Miller gave no indication of the PCW syndicates' effect on the 1984 accounts, but confirmed that the practice of identifying them would continue next year if necessary.

Lloyd's, unlike the insurance companies, operates a three-year accounting system. Business in a particular year is kept open for three years before assessing the profitability.

Excluding PCW syndicates, Lloyd's results are improving, as forecast in July by the Association of Lloyd's Members.

Mr Miller said eight of the nine major classes of business at Lloyd's showed an overall profit on the accounts, ranging from modest to satisfactory.

All the trading losses at Lloyd's arose on the general liability account which generated about 12 per cent of premium income in 1983.

Its underwriting losses of £385m were more than three times the combined loss of £115m on the global figure. Even without PCW, the account's bottom line was £172m to the red.

This was an improvement on the 1982 position for liability business. Without it, Mr Miller doubted if any underwriter could have continued to do liability business.

He saw signs that the liability market was improving in the US with moves to reform the law. The high level of court awards on liability claims have been a major cause of liability losses.

Mr Richard Outhwaite, chairman of Lloyd's Underwriters' Association, said that despite considerable competition and a depressed shipping industry, the 1983 marine account returned a profit of £63m, with only the cargo sector having poor results.

Mr David Peachey, chairman of Lloyd's Aviation Underwriters' Association, reported a £24m profit in the aviation market, but warned that 1985 had been the worst year for aircraft accidents.

Mr Peter Stilwell, chairman of Lloyd's Motor Underwriters' Association, confirmed the continued decline in motor insurance business with an overall profit of just £7m.

Losses of £231m on the non-marine account, reported by Mr Robin Jackson, chairman of Lloyd's Non-Marine Association, reflected the problems of liability business.

Overall, Mr Miller claimed that Lloyd's was well placed to profit from the generally improved underwriting climate. Capacity was inceasing by some £1.5m with over 3,000 new members for 1987 and existing members – nearly 29,000 in 1986 – raising their financial commitment.

# France's Lebanon role in doubt after bomb deaths

**BY DAVID HOUSEGO IN PARIS**

FURTHER doubts were cast on France's long-term participation in the United Nations peacekeeping force in Lebanon yesterday when three French soldiers were killed by a terrorist bomb apparently planted by Islamic militia.

The attack coincided with a declaration from the extremist Islamic Jihad movement condemning French policy in the Middle East for being too closely tied to that of the US, and with fresh threats against six French hostages held in Lebanon.

At the same time, an Arab-backed movement responsible for terrorist bombings in Paris last winter threatened to step up its activities in France if three terrorists held in prison are not released.

These developments coincided with the return to Paris of Gen Vernon Walters, President Ronald Reagan's special emissary to Paris to sound out the French Government on co-ordinated anti-terrorist measures. Having seen President François Mitterrand earlier in the week, he saw Mr Jacques Chirac, the Prime Minister, last night.

In official circles yesterday, there was uncertainty over how much the different events are linked. One common thread seemed to be impatience among Islamic extremists with the French presence in Lebanon and renewed efforts by Iran to extract concessions from France. Iran has had an intermediary role in the hostage negotiations.

The French Government immediately condemned the killings of its soldiers as "a cowardly" act and repeated its demands for the UN to redefine the mission of Unifil in a way that would guarantee its safety. In practice the French want other countries to increase their participation and to relieve French troops of some of the dangers to which they are currently exposed.

President Mitterrand said yesterday that France wanted a "stronger and better organised" Unifil force and reaffirmed France's commitment to Lebanon.

But be also added that the conditions in which the force was operating had to be closely examined. With 1,500 men in the Lebanon, France provides about a quarter of the UN contingent. The unspoken assumption is that unless French conditions can be met, France would review its contribution to the force – thus effectively bringing it to an end.

The denunciation of French policies in the Middle East came in a statement from the Islamic Jihad movement that accompanied a video cassette showing Mr Jean-Paul Kauffmann, one of the French hostages in Lebanon. He described himself in total despair and said that urgent action was needed if his kidnappers were not "to lose patience."

Reflecting the priority that Mr Chirac has given to securing the hostages' release, he immediately saw the wife of Mr Kauffmann.

Negotiations with Iran over the hostages seem in part to have run into difficulties over a financial settlement for Iran's share in Eurodif, the uranium enrichment consortium.

# Goh ready to assume power in Singapore after Lee

**By Robert Mauthner and Colina MacDougall in London**

MR Goh Chok Tong, Singapore's Deputy Prime Minister and Defence Minister, yesterday gave the clearest indication yet that he expects to take over from Mr Lee Kuan Yew, the Prime Minister, when he retires.

Mr Goh said in London yesterday that Singapore believed in "orderly arrangement" and he would therefore "play a more active role" when Mr Lee stepped down.

Mr Goh is in Britain as part of a European tour partly aimed at driving home the message that Singapore's ailing economy is on the mend and at generating new investment for the city state. He met senior politicians and businessmen.

Prime Minister Lee, now 63, has said he will retire at 65. Mr Goh dismissed speculation that Mr Lee would stay beyond that age as a misunderstanding. This speculation has been fuelled by the view that Mr Lee, as Singapore's founding father, would want to continue handling a newly critical public and a slowing economy. But Mr Goh said: "Singapore must survive without Lee."

Mr Lee's son, the 33-year-old Brigadier-General Lee Hsien Loong, widely tipped as a possible successor to his father, appears unlikely, in Mr Goh's reckoning, to jump to the top post immediately. "He has a great future," Mr Goh said, "but he, too, believes in orderly arrangement."

The Singapore leadership is considering creating the post of President, to which Mr Lee would possibly move to aid a smooth transfer of power. However, the President's powers are likely to be limited to control over the budget to prevent erosion of Singapore's reserves.

Mr Goh, on a four-country European tour to introduce himself to foreign leaders, had talked to Mrs Margaret Thatcher, the British Prime Minister, and other leaders. He has also met representatives of Plessey, United Technologies, British Aerospace and other high-tech companies.

Mr Goh is accompanied by a group from the Singapore Economic Development Board which has focused specifically on investment discussions. Talks have begun on joint ventures in the aircraft industry.

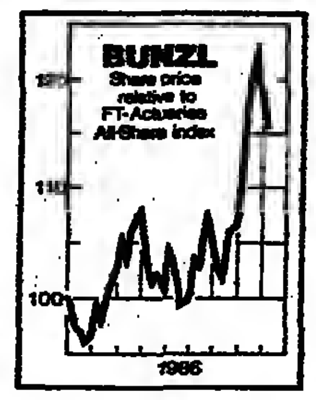
## THE LEX COLUMN

# Bunzl's bundle of equity

There seems no end to the amount of paper that Bunzl can distribute round the world or issue in London. Yesterday's one-for-three to raise £190m, comes just 18 months and a couple of dozen acquisitions after a one-for-four to raise £55m. If the market has no difficulty digesting Bunzl equity, with the share price closing (at 223p) just 2p below the theoretical ex-rights price, it is because it has been so spectacularly nourishing. In five years, Bunzl's market capitalisation has risen from under £30m to over £900m after this equity issue. Nice business, cigarette filters.

Bunzl's redeployment of its resources from a declining market for cigarette filters to the distribution of paper and plastic, primarily in the US, and more recently transport has been a success worthy of textbooks. Yet yesterday's interim figures, showing a typically stylish pre-tax improvement of 43 per cent to £27m, also show Bunzl is fighting a successful rearguard action in its old business. Distribution profits were actually down in sterling terms at period-end translation rates, and were not aided in dollars by weak demand from the US airlines; but profits at Filtrona were up 30 per cent. Non-smokers may not like the idea, but there seems a lot of business to be done in the Third World or in trading up whole markets to fancier filters.

Given that all but one of its divisions are decent generators of cash, Bunzl might have foregone the capital-raising exercise even as its net debt climbs over 50 per cent of equity. However, the multiple of 19 times this year's earnings – assuming pre-tax profits of up to £65m – is scarcely to be sustained by sitting still.



### Unilever

Whatever Unilever's particular reasons are for packing up its in-house pension fund management operation and looking for new managers, the move seems part of a trend. Time was when a fund worth £1.6bn (excluding property) could justify the cost of a full complement of analysts, managers and dealers. But these days City-type salaries look high amid railway workers or food manufacturers and staff turnover must tend to rise. Added to that the diversification of funds into foreign equities, small companies and the like requires even more of them.

The City will watch Unilever's beauty contest with interest to see if the fashion for splitting funds between specialist managers is taking hold in the UK as it has in the US. That still needs someone at the top directing the cashflow to the right markets, which after all is the decision that makes most difference to a fund's performance.

### Cadbury Schweppes

It is a bit late to unwind a merger of 17 years standing but most brokers would probably like to buy shares in Schweppes and sell Cadbury shares. The difficulties of the confectionery business in the US are not necessarily over and those in Canada have worsened. But the company's expansion of the soft drinks side is well conceived, particularly in the growing US market.

On the face of it Cadbury's recovery from its trading disaster in the US is well under way, with interim pre-tax profits up 27.5 per cent at £43.1m. But at the trading level the increase was less than 10 per cent. The most sizeable benefits are in the form of reductions in the interest bill. In part this is a reflection of Cadbury's policy of matching the currency of its borrowings to the currency of its assets. So what Australia and the US lose at the trading level on translation into an appreciated pound, they have gained by way of lower borrowings in sterling terms.

But there has been a genuine improvement in the financial position, and not just through disposals. Capital expenditure is running at about 60 per cent of last year's levels, and while cash has suffered the outflow typical of a Cadbury first half, money in, excluding disposals, was about £20m higher.

If the company's strategy of reintroducing management to customers in the US pays off in the crucial second half, then Cadbury is capable of making £125m pre-tax this year. That puts the shares, up 4p at 182p, on a multiple of about 14, which looks cheap only in comparison to US rivals.

### Babcock Int'l

Like a nervous motorcyclist about to jump over a row of barrels, Babcock has been poised to take off for so long that spectators have lost hope of seeing the trick performed and wandered off. Every time Babcock seems about to make its run, something goes wrong. Perhaps the recently-arrived tourists from New Zealand – Rainbow Corporation – will be the only watchers left when the leap finally happens.

At least in the first half of this year no unexpected disasters appeared, which may be a sign that management is getting a grip at last. There were the usual range of difficulties: a sudden plunge into losses at American Chain; an activity slow to respond to treatment, mining equipment; redundancy costs, another £2.3m; and a cash outflow causing a trebling of interest charges. So some other parts must be going well for profits to have increased from £15m to £16m. Babcock seems confident of at least making up for the absence of last year's £8m pension holiday in the full year figures. Next year perhaps the redundancy programme will be complete, margins will improve, and the newer businesses will see growing markets. Sooner or later the Central Electricity Generating Board will get around to ordering a new power station and give the restructured Renfrew plant enough work to fill it.

Meanwhile Babcock must do something about its deteriorating balance sheet. The immediate plan is the sale of some non-performing assets which might fetch £60m, both cutting borrowings and adding to equity by showing a book profit, while doing no harm to earnings. The company's longer-term hope is a share rerating which will allow a rights issue and some acquisitions for paper. But the only solidity investors can rely on is the yield of 6.4 per cent with the shares down 4p to 183p yesterday.

# Campeau of Canada in surprise $2.5bn bid for US retail group

**BY BERNARD SIMON IN TORONTO**

CAMPEAU, the Canadian property development group, launched a surprise US$2.5bn bid yesterday for Allied Stores, the big US retail group whose interests include the Bonwit Teller, Brooks Brothers and Jordan Marsh chains.

The bid comes on the heels of several others involving US retailers and appears to be prompted by the Canadian company's eagerness to lay its hands on Allied's valuable property holdings.

Campeau has offered US$58 for each of Allied's $42.6m shares. It plans to pay 80 per cent of the purchase price in cash with the rest made up of preferred stock convertible into Campeau shares or warrants. In early trading yesterday, Allied's shares were trading at $60¾, up $11½ from Wednesdy's close.

In a letter to Mr Thomas Macioce, chairman of Allied Stores, Campeau proposed offering Allied's present management a 15 per cent interest in the surviving company for a period of at least six years. Campeau said it was confident of obtaining the necessary funding for the purchase and that "there will not be any impediment to a rapid consummation of our proposed transaction."

Allied made no immediate reaction to the bid. Campeau has asked for a reply by the evening of September 11.

Campeau is controlled by the family of Mr Robert Campeau, a French Canadian who began his working life as a machinist employed by a nickel mining company. It sprang to prominence outside the property industry in 1980 when it made a daring bid to acquire Royal Trust, a leading non-bank financial institution based in Toronto.

Royal Trust was able to rebuff Campeao's bid after gaining support from several pillars of the Anglo-Canadian establishment.

Campeau, with assets of C$2.4bn (US$1.74bn), has concentrated its property interests on office buildings, shopping centres and business parks. Its main strength is in the Ottawa area, but the company also has extensive interests in other parts of Canada, Texas and California. Current projects include a 68-storey head office building for Bank of Nova Scotia in Toronto.

Mr Ross Cowan, analyst at broker Levesque Beaubien, said yesterday that if the bid for Allied is successful, Campeau may sell Allied's joint ownership in US shopping centres but seek to redevelop many prime sites currently occupied by its department stores.

Allied has 685 retail outlets in 46 US states and Japan. Earnings were US$139m in the year to February 28 from sales of US$4.1bn. The company said yesterday that its sales rose to US$2.2bn in the 30 weeks to August 30, up 4 per cent from a year earlier on a comparable basis.

# Bankers admit insider trading

**BY WILLIAM HALL IN NEW YORK**

TWO FORMER investment bankers at major New York brokerage firms yesterday pleaded guilty to criminal charges involved in the biggest insider trading scandal in recent Wall Street history. They agreed to co-operate with the authorities in tracking down other offenders in a bid to avoid a five year jail sentence.

Mr Ira B. Sokolow, a 32-year-old former vice president of Shearson Lehman Brothers, and Mr David Brown, aged 31, who used to work at Goldman Sachs, have waived indictments and entered guilty pleas as part of a deal with US prosecutors who are investigating illicit trading activity on Wall Street.

The two men, who are friends, admitted funnelling information to Mr David Levine, aged 33, the former investment banker, who has emerged as the mastermind behind the insider trading scandal which continues to cause shock waves inside many of Wall Street's most prestigious investment banks and law firms.

In early July Mr Sokolow was charged with selling information to Mr Levine about more than a dozen pending deals which he learned about through his job in Shearson Lehman's mergers and acquisitions department. Mr Levine is alleged to have earned $12.5m from his insider trading and is co-operating with the authorities.

Mr Sokolow pleaded guilty to one count each of securities fraud and income tax evasion and Mr Brown pleaded guilty to one count each of securities fraud and mail fraud. Each count carries a possible five-year prison sentence and a $250,000 fine. The two men will be sentenced on October 24.

Mr Sokolow did not trade in the stocks directly but he profited from the scheme through direct cash payments from Mr Levine.

# UK shows signs of growth

**Continued from Page 1**

previous peak in 1979 – an average annual growth rate of 1.2 per cent.

The Chancellor said the Government had played its part by sticking to a medium term financial strategy to defeat inflation and create the right climate for the economy to enjoy steady growth, and by abolishing a panoply of state controls.

British industry had responded far more positively and effectively than its many detractors had ever thought possible, he said, but was still taking too short-term a view over investment, research, training and pay.

Greatly improved levels of profitability gave industry the opportunity of finance vital long-term investments, but far too little was being done.

Research and development spending as a share of gross domestic product was running about 50 per cent higher in the US, West Germany, and Japan than in Britain, and industry should not look to the government to do all the research.

Industry should also play its part in training, Mr Lawson said. German industry spends about three times as much on training as British industry for a similar sized workforce.

# Olivetti plans to raise $537m

**Continued from Page 1**

controlled by his master Cofide vehicle.

Although Mr De Benedetti is making acquisitions in a variety of sectors and different countries, analysts point out that it is hard to imagine him spending as much as he hopes to raise this year – a total of $2.6bn – in the short term.

But the Italian financier and industrialist has the solid support of Cofide shareholders such as Britain's S. G. Warburg, Nomura Securities of Japan, Shearson Lehman American Express and Dreyfus Corporation of New York, Banque Indosuez of France and the Olayan Group of Saudi Arabia.

# No US aid for falling dollar

**BY ANATOLE KALETSKY IN NEW YORK**

THE US authorities have not intervened in foreign exchange markets to support the dollar at any time since last September, despite the efforts of other countries to put a brake on the US currency's fall by buying dollars. This was disclosed yesterday by the Federal Reserve Bank of New York in its quarterly report on foreign exchange operations.

The New York Fed said there was no intervention by US authorities during the second quarter of this year "but there were sizeable dollar purchases by some other central banks."

Mr Sam Cross, the New York Fed's executive vice-president in charge of foreign operations, also confirmed that there had been no US intervention in the first quarter. In the last four months of 1985 the US had intervened substantially in the markets, but only by selling the dollar in order to maintain its downward trend, he said.

The Fed's report as well as confirming that the US has not co-operated with other central banks' efforts to slow the dollar's decline, showed further signs of US impatience with its main trading partners for refusing to stimulate their economies. It hints that a continuing fall in the dollar might be used to put pressure on other countries to cut their interest rates.

The report notes that earlier this year the markets had perceived the US policy as being based on "hope that a high level of economic activity and rising imports abroad would set the stage for a sizeable narrowing of the US trade deficit, given that the dollar had declined substantially." But in the absence of progress on the trade deficit, "market participants started to consider the possibility that US authorities might welcome a renewed decline in the dollar on the grounds that central banks abroad might cut their interest rates more quickly in such an environment."

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 25 | 77 | Dubrovnik | S | 25 | 77 | Malta | F | 28 | 82 | Rhodes | S | 28 | 82 |
| Algiers | S | 30 | 86 | Edinburgh | C | 14 | 57 | Manchester | C | 14 | 57 | Rio de J'o | S | 24 | 75 |
| Amsterdam | F | 15 | 59 | Faro | S | 29 | 84 | Manila | C | 30 | 86 | Rome | F | 25 | 77 |
| Athens | F | 29 | 84 | Florence | F | 24 | 75 | Melbourne | S | 21 | 70 | Salzburg | C | 10 | 50 |
| Bahrain | S | 39 | 102 | Frankfurt | C | 14 | 57 | Mexico City | C | 24 | 75 | San Francisco | C | 14 | 57 |
| Bangkok | C | 33 | 91 | Funchal | S | 24 | 75 | Miami | F | 26 | 79 | Seoul | F | 26 | 79 |
| Barcelona | C | 24 | 75 | Geneva | S | 17 | 63 | Milan | S | 27 | 81 | Singapore | F | 31 | 88 |
| Beirut | — | — | — | Gibraltar | S | 24 | 75 | Montreal | C | 16 | 61 | Stockholm | S | 13 | 55 |
| Belfast | C | 13 | 55 | Glasgow | C | 13 | 55 | Moscow | C | 17 | 63 | Strasbourg | F | 16 | 61 |
| Belgrade | S | 22 | 72 | Guernsey | C | 16 | 61 | Munich | C | 13 | 55 | Sydney | F | 23 | 73 |
| Berlin | F | 16 | 61 | Helsinki | F | 14 | 57 | Nairobi | C | 20 | 68 | Taipei | S | 33 | 91 |
| Biarritz | C | 21 | 70 | H. Kong | R | 27 | 81 | Naples | C | 27 | 81 | Tangier | F | 26 | 79 |
| Bombay | C | 30 | 86 | Innsbruck | C | 16 | 61 | Nassau | C | 33 | 91 | Tel Aviv | S | 29 | 88 |
| Bordeaux | S | 21 | 70 | Inverness | C | 13 | 55 | New Delhi | S | 33 | 91 | Tenerife | S | 26 | 79 |
| Brussels | F | 15 | 59 | Islamabad | S | 36 | 97 | New York | C | 18 | 64 | Tokyo | S | 34 | 93 |
| Budapest | F | 17 | 63 | Istanbul | C | 24 | 75 | Nice | S | 25 | 77 | Toronto | F | 19 | 66 |
| B. Aires | R | 15 | 59 | Jakarta | C | 32 | 90 | Nicosia | S | 35 | 95 | Tunis | F | 29 | 84 |
| Cairo | S | 34 | 93 | Jersey | C | 18 | 64 | Oporto | C | 18 | 64 | Valencia | F | 28 | 82 |
| Cape Town | S | 21 | 70 | Jo'burg | S | 23 | 72 | Oslo | F | 16 | 61 | Venice | S | 23 | 73 |
| Caracas | C | 27 | 81 | Lima | C | 10 | 50 | Paris | F | 16 | 61 | Vienna | F | 17 | 63 |
| Casablanca | S | 27 | 81 | Lisbon | S | 27 | 81 | Peking | F | 27 | 81 | Warsaw | F | 15 | 59 |
| Chicago | F | 20 | 68 | London | S | 18 | 64 | Prague | R | 13 | 55 | Washington | F | 29 | 84 |
| Cologne | C | 15 | 59 | Los Angeles | C | 17 | 63 | Reykjavik | S | 7 | 45 | Zurich | F | 14 | 57 |
| Copenhagen | F | 17 | 63 | Luxembourg | C | 12 | 54 | | | | | | | | |
| Corfu | S | 29 | 84 | Madrid | S | 30 | 86 | | | | | | | | |
| Dallas | C | 22 | 72 | Majorca | S | 27 | 81 | | | | | | | | |
| Dublin | F | 14 | 57 | Malaga | S | 30 | 86 | | | | | | | | |

*Readings at mid-day yesterday:*
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# Japanese rebuff for Pik Botha

**Continued from Page 1**

ness to go along with the Hague package.

A Government official in Bonn said that "everything pointed in the direction" of an EEC decision in favour of further economic measures against South Africa.

While US officials have made it clear that it is unlikely that the EEC, Japan and the US will adopt exactly the same measures against South Africa, there is clearly a desire on the part of all the countries concerned to co-ordinate the timing of their policies.

Japan's most important imports from South Africa are coal, iron ore and precious metals. Japan's steelmakers buy about 10 per cent of their coking coal from South Africa. Though Mr Botha is due to meet several prominent businessmen and politicians during his visit, leading steel producers Nippon Steel and Kawasaki Steel said yesterday that they had not planned any meetings with him.

However, in Taipei, which Mr Botha will visit next week after his talks in Japan, agreement was announced for Taiwan to increase its imports of maize, wool and citrus products from South Africa.

Officials said the level of increased imports were yet to to be negotiated but that Mr D. J. de Villiers, the South African Trade and Industry Minister, had proposed in his four days of talks that maize purchases be increased from 400,000 tonnes this year to 600,000 tonnes next year.

They said that South Africa had also offered to provide additional expertise to help Taiwan in its coal mining, energy conservation and biotechnology projects.

South Africa is one of 23 countries that maintain diplomatic links with the Nationalist Chinese Government in Taipei and benefits from Taiwan's refraining from criticism of its apartheid policies.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 5 1986

# Chrysler lifts annual payout for second time

BY WILLIAM HALL IN NEW YORK

CHRYSLER, the third biggest US car manufacturer, yesterday underlined its rapidly recovering financial fortunes by increasing its common stock dividend by 40 per cent to an annual rate of $1.40 a share.

The 40 per cent dividend increase comes on top of a 50 per cent increase earlier this year when a 25 cents o share quarterly dividend was paid following the three-for-two stock split. The group will now pay a 35 cents a share quarterly dividend on October 15 to shareholders of record on September 15. Chrysler shares rose $⅝ to $39⅝ in early trading yesterday.

Mr Lee Iacocca, Chrysler'o chairman, says that the increase reflects "the confidence we have in our ongoing profitability, and our continued optimism about the future of the businesses we're in."

He said Chrysler, which was on the brink of bankruptcy when he took over in November 1978, was strong enough to increase the dividend and still continue its "ambitious capital spending programmes which are designed to keep ns the high-tech leader in the automotive and corporate aircraft businesses."

Chrysler has a five-year $12.5bn capital-spending plan in place.

Chrysler's dividend increase comes despite a 23.5 per cent fall in the group's first-half net earnings to $845.1m, or $5.64 a ohare.

# IBM sparks computer battle

BY LOUISE KEHOE IN SAN FRANCISCO

US PERSONAL computer makers have acted to fire back at IBM with o flurry of new product announcements that match or better IBM's new XT Model 286, introduced on Tuesday.

Compaq Computer, Sperry and Digital Equipment (DEC) all announced new systems to compete with the new IBM personal computer signalling a new round of intense competition in the US personal computer market.

Compaq Computer, the leading US IBM compatible personal computer maker, introduced a new version of its Deskpro 286 with features that mirror those of the IBM XT Model 286: a 20 megabyte hard disk drive, a 1.2 megabyte floppy drive and 640 kilobytes of main memory. Like the IBM XT 286, the new Compaq machine is powered by the Intel 286 microprocessor and matches IBM'o $4,000 price tag.

Compaq also announced that it has reduced the price of its Deskpro 286 model 1, which has only 256k internal memory and no hard disk drive, to $2,999 from $3,999.

Sperry's MicroIT also uses Intel's 286 microprocessor as its "brain" but runs the micro at a faster speed to achieve higher performance. Sperry is expected to sell its personal computers chiefly through its direct sales force while Compaq sells through retail dealers. IBM does both.

The Sperry MicroIT will sell for $3,590 for a version with 512k memory and a 20 megabyte hard drive. A floppy disk drive is not included as in the IBM and Compaq systems, so prices are comparable.

Digital Equipment'o latest effort to penetrate the personal computer market comes in the form of a similar $4,045 IBM compatible machine which it calls VAXmate. DEC is aiming its personal computer at its existing minicomputer customers. The VAXmate incorporates communications capabilities that easily link it to DEC computers and to local area networks.

# Trump buys stake in Holiday Corp

BY OUR FINANCIAL STAFF

MR DONALD TRUMP, the New York property developer best known for creating architecturally innovative buildings named after himself, has acquired a stake of between 2 and 5 per cent in Holiday Corporation, the world'o largest hotel network known formerly as Holiday Inns.

Holiday said yesterday it had been advised that the shares had been bought for investment purposes.

At Wednesday's closing market price of $63½, a 5 per cent stake would have cost Mr Trump about $74.6m. By lunchtime yesterday the shares had risen $1⅛ to $64⅝.

However, there is considerable divergence of opinion over Mr Trump'o intentions. Some analysts believe Mr Trump may wish to turn Holiday from a moderately priced to a premium chain, while others noted Mr Trump has previously taken shares in public companies as an investment.

# CGM plan for merger blocked by Paris

By Paul Betts in Paris

THE FRENCH Government yesterday blocked the proposed merger between Compagnie Générale Maritime (CGM), the state shipping group, and Chargeurs Reunis, the loss-making cargo and container subsidiary of Chargeurs, the private transport and communications concern.

The Government said the merger involved too many risks for CGM at o time when the state shipping group was in the middle of o major restructuring programme.

CGM agreed to take over Chargeurs Reunis last August for a symbolic franc. The merger was designed to rationalise and strengthen France's position in the fiercely competitive shipping business by giving CGM, which concentrates on the oorth Atlantic and the Pacific, the chance to cover the world.

While acknowledging the possible merits of the merger, the Government, which recently injected FFr 700m ($105m) in capital grants to CGM, felt that tha state group was not in o position to take on the additional risks of absorbing the troubled Chargeurs Reunis shipping business.

# Dutch insurer in US move

NATIONALE NEDERLANDEN, the Dutch insurance group, said its US subsidiary, Georgia US, had reached initial agreement to buy nearly all the issued share capital of Associated Doctors Health and Life Insurance, Reuter reports.

Associated Doctors made net profits of $4.4m, with a premium income of $29m, and assets of $40m.

Shareholders of Associated Doctors approved the bid, a Nationale Nederlanden spokesman said.

# Royal Bank of Canada hit by energy sector

BY ROBERT GIBBENS IN MONTREAL

THE ROYAL Bank of Canada reports sharply lower third-quarter earnings due to continuing problems in the energy sector and adverse results from underwriting and securities trading. These were only partly offset by strong domestic retail business and higher non-interest income.

However, for the first nine months of fiscal 1986, Canada'o largest chartered bank'o net profit was still up 6 per cent from a year earlier.

Net income for the third quarter ending July 31 was C$112m (US$80.8m), down 14 per cent from o year earlier and equal to 89 cents a share against C$1.14.

Average shares outstanding were 102.6m against 98.1m. Return on average assets was 0.45 per cent, down from 0.55 per cent a year earlier.

For the first nine months net profit was C$377m or C$3.16 o share, against C$356m, or C$3.12 o share, o year earlier. The return on average assets was unchanged at 0.52 per cent.

In the third quarter return on assets from international operations fell to 0.22 per cent from 0.54 per cent a year earlier.

Total assets at July 31 were C$98.2m, up from C$91.7m a year earlier due to strong growth in personal leading and mortgages.

Non-accrual loans, less loss provisions, totalled C$2.7m at July 31, up C$800m during the third quarter because of energy sector problems.

The bank said it was holding restructuring talks with several borrowers. It estimates fiscal 1986 loan loss experience at C$950m, up almost 40 per cent from fiscal 1985.

The bank warns that further loan losses could occur because of prevailing low oil prices.

Capital position at July 31 was C$6.6bn, up C$350m during the third quarter.

Canadian Imperial Bank of Commerce reports lower earnings in the third quarter and first nine months of fiscal 1986, though its assets continued to grow.

The bank has increased provision for loan losses and actual loss experience was sharply up.

Third-quarter earnings were C$82.7m (US$59.9m), or 54 cents a share, against C$92.8m, or 31 cents, a year earlier. Nine-month earnings were C$244m or C$1.66 a share against C$260m or C$2.12 a year earlier.

Average shares outstanding in the third quarter were 121.9m against 98m and in the nine months 112m against 89.9m. The per-share figures reflect last January's two-for-one stock split.

Assets at July 31 were C$78.67bn against C$73.8bn a year earlier.

Loan-loss provisions in the third quarter were C$157m against C$121m, and in the nine months C$466m against C$360m. Actual loss experience was C$179m in the third quarter against C$125m, and in the nine months C$521m against C$375m.

# Exxon applies for Tokyo share listing

BY OUR NEW YORK STAFF

EXXON, the world's biggest oil company, has applied to list its shares on the Tokyo stock exchange and expects the listing to take place before the end of the year. It will be the first foreign oil company to have its shares listed on the Tokyo stock exchange.

Exxon's decision to list its shares in Japan comes three months after the giant oil company listed its shares on the London Stock Exchange. Yesterday's news helped boost the shares to a new peak of $70⅛ in early trading.

Listing on the Tokyo exchange will, the company believes, broaden the market for its shares and facilitate access to the rapidly expanding Japanese capital market, which is the second largest in the world. Exxon's management plans to make presentations to the Tokyo investment community in mid-October.

Nikko Securities is sponsoring Exxon's application. Exxon, which is valued at $51bn on Wall Street, is the second most heavily capitalised US stock after IBM, which is capitalised at $84bn. General Motors, another traditional pillar of the US business community, is capitalised at $22bn.

Exxon's shares are already listed on a dozen European stock exchanges.

# Sekisui House earnings rise 13.6%

By Yoko Shibata in Tokyo

SEKISUI HOUSE, Japan's largest housing contractor, has announced a 13.8 per cent gain in pre-tax profits in the half year to July to Y10.3bn ($66.8m). The increase was attributed to the strong improvement in the balance of financial items. This more than offset a 4.3 per cent fall in operating profits resulting from lower sales of detached single-family houses and other property.

Half-year-turnover moved ahead by 6 per cent to Y246.3bn, thanks to brisk demand for condominiums and commercial buildings. The interim dividend was unchanged at Y7.5 a share.

# Du Pont income boosts Seagram

By Our Montreal Correspondent

SEAGRAM, the Canadian drinks group, has reported higher overall profits for the second quarter and first half of fiscal 1987, due mainly to dividend income and higher unremitted earnings from Du Pont of the US.

Though Seagram's spirits and wine sales were higher in both periods, operating income declined because of slack US demand for liquor products and heavy investment in cooler products. These factors were only partially offset by an improved international performance.

First-half sales were US$1.4bn against US$1.2bn o year earlier. But operating income was US$87.8m against US$98m. After-tax income from wines and spirits was US$35.7m against US$41.8m.

Seagram reported overall half-year net income of US$216.7m or US$2.27 a share against US$129.6m, or US$1.41 a year earlier. This included US$75m in dividends from Du Pont, unchanged from a year earlier, and the group'o US$106m share of Du Pont's unremitted earnings against US$216.7m a year earlier.

Second-quarter liquor sales were US$786m, against US$685m, and operating income totalled US$47.8m against US$49.4m. Final net income including the Du Poot contributions was US$116.7m, or US$1.23 o share, against US$85.1m, or 93 cents a year earlier.

## Genstar

AN ARTICLE in yesterday's Financial Times on Société Générale de Belgique referred to the successful sale of Genstar to CBR, the Belgian cement manufacturer. This referred simply to Genstar Cement Industries, the parent company, Genstar, having been bought earlier in the year by Imasco.

# ACI buys Tennessee flat glass company

By Robert Kennedy in Sydney

ACI INTERNTIONAL, the building products and glass and packaging company, plans further expansion in the US with the purchase of Binswanger Glass, of Tennessee, for around US$100m.

The purchase would make ACI one of the major flat glass distributors in America. Binswanger has sales of about $185m and employs some 2,080 people.

ACI became the largest flat glass distributors in the western states of America last year following a number of expansion moves which doubled the size of its US glass distribution business.

It has encouraged growth outside Australia, partly because of doubts about the Australian economy and high local tax rates.

Last year ACI paid tax at the rate of 46 per cent and ACI has indicated that the group could incur tax in the 51 to 52 per cent range this year.

ACI's glass division in the US achieved considerable growth in sales and profits in 1985-86. The doubling of its glass distribution business in the year fired its acquisition of the Northern Californian Glass, Havlin and Witkin, and Belknap operations.

# Chairman for CRA named

By Our Sydney Correspondent

CRA, Australia's second-biggest listed company, yesterday announced that Mr John Uhrig had been appointed as non-executive chairman following the recent surprise announcement that Sir Roderick Carnegie, CRA's existing executive chairman and chief executive, would be stepping down at the end of the year.

Mr John Ralph, Comalco chairman and current CRA director, has already been appointed as chief executive.

Mr Uhrig was managing director of Simpson Holdings, the white goods company, now part of Email, until he retired in July last year. He has been on the CRA board since 1983.

See Men and Matters

# Credit Lyonnais pre-tax earnings up 25% midway

BY PAUL BETTS IN PARIS

CREDIT LYONNAIS, the second biggest state-owned French bank, has increased first-half profits before tax and provisions by almost a quarter and is stepping up its dividend by 10 per cent.

The bank, which is earmarked for an early move back into the private sector under the government's privatisation programme, recently raised funds through an issue of non-voting shares on the Paris bourse.

Mr Jean-Maxime Leveque, the chairman appointed last July, said that the first-half parent company results showed that the bank was in "good health" and that doubts about its economic situation were unfounded.

The increased dividend involves a one-for-10 scrip issue both for the non-voting shares and the government held voting shares.

Parent company earnings before taxes, provisions and depreciation totalled FFr4.17bn ($627m) in the first half compared with FFr 3.35bn for the same period last year. After provisions amounting to FFr 3.2bn compared with FFr 2.7bn, pre-tax profits totalled FFr 710m, up nearly 48 per cent.

Credit Lyonnais expects to see consolidated net profits for the full year rise to FFr 1.6bn or more compared with FFr 1.2bn in 1985.

The chairman claimed Credit Lyonnais' situation was satisfactory. However, with the prospect of privatisation, the bank needed to change its low profile image, he suggested.

He added that his first priority was to inspire investor confidence on the bourse in the bank.

Mr Leveque also made a point of denying rumours in recent weeks suggesting that he had been coolly welcomed by Credit Lyonnais managers.

# Elf Aquitaine ahead of forecast

BY OUR PARIS STAFF

ELF AQUITAINE, the French state-controlled oil group, has reported higher than expected first half net profits of FFr 3.4bn ($522m) compared with FFr 2.9bn for the first six months last year.

Mr Michel Pecqueur, chairman, said that first-half earnings had exceeded earlier expectations of a FFr 3bn profit. Elf, which is France's largest enterprise, reported earnings of FFr 5.3bn last year.

Total Compagnie Francaise des Petroles, the other large French oil group, indicated yesterday that it expects uet operating earnings to total nearly FFr 5bn in the first half. However, a net loss of about FFr 1.5bn is also expected because of the lower value of oil stocks, which will involve about FFr 6.5bn. First-half earnings last year were FFr 1.3bn, with the negative impact from the value of oil stocks limited to FFr 200m.

Total's cash flow is expected to rise to FFr 7.5bn in the first half compared with cash flow of FFr 4.7bn in the first six months last year.

The oil group expects parent company earnings of FFr 850m in the first half compared with FFr 1bn in the same period last year and FFr 1.6bn for 1985.

Total's French refinery subsidiary had operating profits of FFr 1.69bn in the first half compared with a loss of FFr 954m in the same period a year ago.

However, after the accounting impact of lower oil stock values, the refinery subsidiary showed a net accounting loss of FFr 2.4bn in the first half compared with a net deficit of FFr 1bn in the first six months of last year.

# Mitsubishi Chemical net profits down 25% so far

BY YOKO SHIBATA IN TOKYO

MITSUBISHI Chemical Industries, Japan's largest integrated chemicals producer, has reported a 25 per cent drop in parent company net profits for the six months ended July 31 to Y3.76bn ($24.3m) from Y5.04bn in the same period last year. Net profits per share fell to Y3.10 from Y4.33. Once again there will be no interim dividend payment.

At the pre-tax level, profits were down 10.7 per cent to Y11.54bn from Y12.92bn, while sales declined 17.7 per cent to Y337.7bn from Y410.5bn.

The company said the fall in net profit resulted in part from writing off losses at subsidiaries.

Sales of some products, such as those supplied to the electronics industry, showed sound growth, but petrochemicals were hit by falling prices while coke and other products supplied to the steel industry suffered a fall in demand resulting from the recession in the steel market.

Mitsubishi Chemical is predicting a difficult business environment during the second half year. Full-year results are now expected to show a 16 per cent drop in pre-tax profits to Y20bn and a 18 per cent fall in sales to Y660bn, while an unchanged full year dividend of Y5 a share will be paid.

# DKB set to buy Hong Kong bank

By Our Tokyo Staff

DAIICHI KANGYO BANK (DKB), Japan's largest bank is set to raise its stake from 33 per cent to 95 per cent in Chekiang First Bank, a medium-sized commercial bank in Hong Kong for about Y10bn ($64.6m).

The deal will represent the first purchase of an Asian bank by a Japanese bank. It will give DKB access to the Chinese financial market.

Chekiang First Bank, which was established in Hong Kong in 1950 by the Shanghai-based Chekiang financial conglomerate, is capitalised at HK$100m (US$ 12.8m). It was renamed Chekiang First Bank in 1963.

# Superfos may dispose of US subsidiary

By Hilary Barnes in Copenhagen

SUPERFOS, the Danish fertilisers, packaging and industrial group which has loughed into the red for the first half of 1986, is preparing to write-off its investment in Royster, its troubled US fertilise rsusbidiary.

In a statement yesterday the group said it has repaid all Roysters' outstanding bank loans and will replace them with uew equity and loans preparatory either to selling the company or closing it down.

Superfos made a DKr 117m ($8.96m) los in the first half compared with a profit of DKr 8.4m last year, and expects to make ou operating loss of about DKr 200m for the full year.

This figure does not include extraordinary costs which may arise in connection with Royster, the company says. In view of this the board will propose passing the dividend for 1986.

For 1985 Superfos shoreholders received a maintained 12 per ceut dividend. Pre-tax profits for the year were sharply lower at DKr 40m.

The extent of Superfos' losses from Royster are uot known but probably amount to at least DKr 300m.

The first-half loss arose entirely in the fertiliser division, which produced an unsatisfactory result in Denmark as well as the US. Danish sales were hit by competition from East European fertilisers.

Group sales were down by 17 per cent to DKr 5.48bn partly reflecting falling dollar sales by Royster and partly the depreciation of the dollar against the Krone.

Net financial costs also rose, including both realised and unrealised exchange rate losses and lower investment income. But liqidity remained satisfactory, said the group.

# Sales of merged Coles Myer top A$10bn mark

BY OUR SYDNEY CORRESPONDENT

COLES MYER, Australia's biggest retailer, yesterday passed the A$10bn sales mark for the first time on the way to a record profit of A$181.9m for the year ended July, 1986.

The profit is 44 per cent better than the A$126.3m reported for 1984-85 but included for the first time a full contribution of the old G. J. Coles latest major acquisition, Myer Emporium the department and discount store retailer.

The sales total of A$10.4bn is, 70 per cent beter than the previous term, suggesting that on average every Australian spent A$700 in a Coles or Myer outlet in the year.

The enlarged combine is having some problems as Mr Bevan Bradbury, Coles Myer chairman, conceded yesterday. He said profits for the merged operation had declined, compared with the profits recorded by the separate Coles and Myer operations in 1984-85.

"This reflected continuing difficulties with the Myer department stores, higher interest rates, and the effect of the decline in the Australian dollar," he said.

However, while Myers operations contributed only about A$1.3bn of sales to the group total, or 12.5 per cent, they contributed about A$35m of net profits, or 19 per cent.

# Santos cuts interim payout

BY OUR SYDNEY CORRESPONDENT

SANTOS, is the latest Australian resources company to be hit by the collapse of world oil prices. It yesterday announced a cut in dividend after incurring a 36 per cent fall in net operating profit to A$41.5m in the half-year to June 30. The company earned A$64.6m in the same period last year.

The company decided to reduce the interim dividend from 9 cents to 7 cents a share "due to the lower operating profit and the need to conserve liquidity during the period of lower oil prices."

Australian oil prices fell from more than A$44 a barrel in January and February to less than A$20 a barrel at July 1. Prices of condensate and liquefied petroleum gas also fell in tandem.

"This fall was significantly greater than anticipated by the industry and had a material adverse impact on Santo's revenues in the period," the company said.

# INTERNATIONAL APPOINTMENTS

## GE shuffle brings change at financial services top

BY OUR FINANCIAL STAFF

GENERAL ELECTRIC Company, the diversified Connecticut high technology concern, has taken forward its reshuffling of executives, by appointing Mr Gary C. Wendt president and chief operating officer of its GE Financial Services

Mr Wendt succeeds as president Mr Robert C. Wright, who was last week elected president and chief executive of GE's National Broadcasting Company subsidiary.

Mr Wendt moves from being executive vice president of General Electric Credit Corporation. He was also president and chief executive of GE Credit, the main subsidiary of GE Financial, the holding company that includes 80 per cent of Kidder, Peabody and Co, the Wall Street investment house, and Employers Reinsurance Corporation, of Kansas.

Mr Wendt does not, even so, succeed Mr Wright as chief executive of GE Financial. Mr Lawrence A. Bossidy, a GE vice chairman, has been appointed chairman and chief executive of this offshoot, taking over the top responsibility for financial services from Mr John F. Welch Jr, the GE chairman.

Mr Welch remains a director of GE Financial, but has turned his concentration to NBC of which he has become chairman.

Mr Wendt reports AP-DJ, has been thought of as a possible successor to Mr Wright.

Mr Michael A. Carpenter, 39, has, at the same time, been appointed an executive vice president of GE Credit, in charge of corporate finance, commercial asset financing, commercial real estate and mortgage insurance.

GE has also appointed Mr James H. Ozanne, currently a senior vice president of GE Credit, to be executive vice president of GE Credit in charge of distribution sales financing and transportation and industrial financing.

● KIDDER, PEABODY & CO, the subsidiary of GE, has elected Mr Dennis J. Friedman, a 42-year-old lawyer, a vice president in the mergers and acquisition department, from October 1.

Mr Friedman is the fifth new vice president in the department this year and the third since GE acquired 80 per cent of the concern in June. There are now 12 senior partners, or vice presidents, in the 35 strong department.

Mr Friedman leaves a 17-year career at Shearman and Sterling, the New York law firm, at which he had been a partner since 1977.

At Shearman and Sterling, Mr Friedman was involved in three major takeovers this year. In one he represented Fruehauf Corporation, the truck trailer and vehicle parts company of Michigan, in a five-month defence against a hostile takeover effort. Fruehauf in the end accepted a leveraged buyout bid from Fruehauf management and Merrill Lynch and Co, the biggest Wall Street investment house.

## Donaldson Lufkin elects new head

DONALDSON LUFKIN and Jenrette, the Wall Street brokerage house, has appointed Mr John S. Chalsty as president and chief executive, in succession to Mr John K. Castle.

Mr Chalsty comes from the chairmanship of Donaldson Lufkin's capital markets group.

Mr Castle has resigned to establish a firm offering specialised private equity investments.

Donaldson, Lufkin is a subsidiary of the Equitable Life Assurance Society of the US with total assets of some $12bn.

Mr Chalsty, 53, joined Donaldson Lufkin in 1960 as an oil analyst. In 1972 he was appointed director of Research and in 1979 he became head of Donaldson Lufkin's investment banking division. He took up the post of chairman of the capital markets group in 1984.

Mr Castle, who had been with Donaldson Lufkin for 21 years, headed the company's venture capital and investment-banking areas before taking the positions of president and chief operating officer in 1979. He was elected chief executive in January 1985.

## Top men leave Hiram Walker

BY BERNARD SIMON IN TORONTO

TWO TOP officials of Hiram Walker Resources, who led the Canadian distiller and energy company's unsuccessful resistance against a takeover by Gulf Canada earlier this year are to resign at the end of the month.

The departure of Mr Alfred Downing and Mr Archibald McCallum, Hiram's chief executive and chief financial officers respectively, will consolidate the hold of Gulf and its controlling shareholders, Toronto's Reichmann family, over Hiram. Fourteen Hiram directors were replaced by ten Gulf nominees shortly after Gulf gained control of Hiram in April after a fierce month-long takeover battle.

Mr Downing, aged 63, and Mr McCallum, 56, were deeply involved in planning Hiram's resistance to the Reichmann bid, which included a controversial decision to sell Hiram's liquor business to the British food and beverage group Allied-Lyons for C$2.6bn (US$1.9bn).

With the departure of Mr Downing and Mr McCallum, the management of Hiram Walker will be firmly in the hands of two of the Reichmanns' closest lieutenants, Mr Marshall (Mickey) Cohen and Mr Gilbert Newman.

Mr Cohen, 51, who will shortly become chairman and chief executive of Gulf Canada, was earlier appointed president of Hiram Walker. Mr Newman, 64, executive vice-president of Olympia and York Developments, the Reichmanns' real estate arm, holds the same position at Hiram.

Mr Downing and Mr McCullum have not been available for comment on their resignations. Like other members of Hiram's previous management, they have kept a low profile since the Reichmanns started their takeover bid last March.

Shortly after the takeover battle began, Hiram's board approved "golden parachutes" for eight senior officers of the company, including three years' salary and other benefits. Mr Downing's cash renumeration totalled C$524,000 last year.

## Conrail international sales post

CONSOLIDATED RAIL Corporation of Philadelphia has appointed Mr Donald E. Larson managing director for international sales, with responsibility for busines development in Europe.

Mr Larson is to meet regularly in Europe with executives of ports, industries, shipping companies and other concerns with a view to establishing what transport services Conrail can best provide for them in the US.

Mr Larson was previously vice president and general manager, export sales for Consolidation Coal Company.

## Jim Walter senior move

MR KENNETH E. HYATT has been elected chief operating officer of Jim Walter Corporation, the Florida-based maker of building materials, with interests in homebuilding and financing, natural resources and manufacturing.

Mr Hyatt, 46, has been with Jim Walter since 1966, most recently with responsibility for divisions, including coal mining, coke, chemicals, stone products, aluminium, precision tooling and cast iron operations.

## President for Lauritzen

By Our Financial Staff

J. LAURITZEN, the Copenhagen shipping concern, has appointed Mr Peter Weitmeyer, aged 39, as president.

Mr Weitmeyer had been with A. P. Moeller, the leading Danish shipping group since 1968.

# INTERNATIONAL COMPANIES and FINANCE

**David Lascelles** on the Japanese firm's international ambitions

## Nomura banks on taking the lead

IT COULD hardly look less like a bank at the moment: bare flooring, a few wires sticking out of sockets, and a strong smell of paint. But the fifth floor of Namura's offices beside tha Monument in the City of Londen will house oee ef the more challenging entrants into international banking.

Jspan's largest securities house finally ebtained its banking licence from the Bank of England on Tuesday after some lengthy borse-trading between the UK and Jspan which also yielded licences for British banks to deal in securities in Tokyo. This is a major breakthrough for Nomura wbicb cannot, under Japanese law, nperate as a bank in its ewn country.

But what does Nomura intend to do with its licence? Why, indeed, does it even want one when other banks are complaining about the regulatory handicaps, and are doing their best to escape into the securities business?

Mr Andreas Prindle, the American banker whe will run it, gives two reasons. One is simply that Nomura expects to make money at banking by exploiting its buge size and capital strength, as well as the spin-off from the securities side. Starting from scratch, unburdened by bad Third World loans and high overheads, will help business.

The second reason is that Nomura sees itself in competition in the global marketplace not just with other securities houses, but also banks, and is determined to belnng to that select category of superlarge all-round financial institutions which are expected to dominate in the years ahead.

The new bank, which is called Nomura Internetional Finance (MIF), will start up on November 3 with paid in capital of £50m (£100m authorised) and a staff ef just over 30, only three of whom will be Japanese. But though it must, as a condition for the licence, operate at arm's length from its parent, it will be backed by the world's largest securities operatinn with sbareholders' funds of $4.3bn, and a market capitalisation nf more than $35bn. It is also certain to share its parent's eggressive instincts.

With its starting capital, which it will be allowed to gear up 15 times, NIF will aim for a balanca sheet totalling £750m, and be able te make leans np to £5m to a single customer.

A key part of the operatien—in the early years at least—will be the Treasury. The banking licence will enable Nomura to finance itself directly in the inter-bank markets, and it will be interesting to see whether it can command the same fine terms as top internalional banks. In Japan, Nomura's credit is rated triple A, and in the US AA plus. Nomura will also, for the first time, be able te trade as a principal in the foreign exchange markets. Apart from the cbance to make trading profits, this will permit the Nemura group tn arrange currency swaps directly and broaden its prodoct range in that area.

Mr Grabam Simister, wbo has been hired from the Midland Bank to run the treasury side, said of the foreign exchanga nperation: "We intend to grow in a controlled way. But there ia no reason why, with Nomura's capital, we shouldn't be as big in the long run as the major banks."

Andreas Prindl: expecting to dominate the business

Mr Prindl says that NIF will do a limited amount of lending. It will make loans related to its existing securities business, that is, in support of securities transactions or to existing clients, particularly government agencies. NIF msy also buy part of floating rate note issues arranged by Nomura Securities, hut again, nn an arm's length basis. "We bave to be able to say no to deals," he said.

If the arrival of NIF on the scene has sent a slight tremor through the international banking establishment, it is because the Europeans and the Americans are already upset over what they consider to be the predatery practices of Japanese bankers, and they fear Nomura will be even worse. Not surprisingly, Mr Prindl denies that NIF will undercut prices to buy market shares.

"We are much more interested in profitability than in racing up the banking leagues," be said. In one sense NIF is different from the nther Japanese banks in London: it is a UK bank rather than the branch of a foreign bank, which means it bas to abide by UK capital ratios rather than the more relaxed Japanese ones. Mr Prindl also says that NIF will be aiming to achieve "western-style" returns on its assets and equity.

To stress NIF's banking culture, Nnmura has appointed as its chairman not the group's president, which would be usual, hut Mr Hideo Suzuki, a former senior official ef tha Japanese Ministry nf Finance who was for a time Japan's executive director at the International Monetary Fund. Mr Suzuki is now with Nomura, but retains his close contacts with the central banking world.

Although the establishment of NIF is significant for the London banking market, it bas also had a big impact in To'yo because it marks a further breach in tha regulatory wall that aeprates the Japanese banking and securities businesses. NIF bas not been welcomed by the Japanese commercial banks which resent the encroachment of securities houses on their territory. However the recent acquisition by Sumitomo Bank of a partnership stake in Goldman Sachs, the Wall Street securities bouses, shows that there is movement in both directions.

## Dow Chemical sells 9.4% stake in Rorer

BY WILLIAM HALL IN NEW YORK

DOW CHEMICAL, the US chemical major, has sold its 9.4 per cent stake in Rorer, the Pennsylvania-based pharmaceutical group, to an unidentified investor. The move has spurred speculation that the disposal could make Rorer vulnerable to a takeover attempt.

Dow said it had sold 2m shares of Rorer for $80m in a private transaction. As a condition of the sale, said Dow, the purchaser had agreed to pay Dow an additional amount should Rorer merge with, or be acquired by, another company within the next 12 months under terms in which the value of Rorer shares exceeded $43 a share.

Dow said the condition presumed that the purchaser at that time owned the shares sold by Dow or sold them in conjunction with the Rorer transaction.

Dow first disclosed that it had bought a stake in Rorer in April 1984.

Rorer recently bought Revlon's ethical pharmaceutical business

## Amgold earnings benefit from weakness in the rand

BY JIM JONES IN JOHANNESBURG

AMGOLD, the gold investment arm of Angle American Corporation, increased its interim after-tax profit to R168.5m ($71.7m) in the six months to the end of August, 1986, from R146.9m for the financial year to February, 1986.

Investment income was R175.4m against R149.2m in the first half of last year and R340.1m for the whole year.

First-half earnings increased to 768 cents a share from 669 cents and the interim dividend has been raised to 700 cents from 625 cents. Earnings totalled 1,533 cents in the last financial year

Tha directors attribute the increase to the 22 per cent increase in the Rand-denominated gold price for the first half of this year, against the first half of 1985. Though the first half dollar gold price was $343 an ounce against $310 the Rand's continued weakness meant that gold rose to $758 an ounce from R622. They add that second half earnings will depend largely on the gold price which is currently in the region of R950 an ounce.

## GMAC to offer bonds backed by car loans

By Our Euromarkets Staff

GENERAL MOTORS Acceptance Corporation (GMAC), the financing arm of General Motors, is to launch next week the first Eurobond issue backed by car loans. Salomon Brothers International will lead the $275m deal.

The bond capitalises on the growing trend towards the securitisation of loans which has already seen mortgages repackaged and sold as bonds to investers.

Issues of bonds backed by car loans have exploded in the US, and more than $4bn worth has been arranged already this year. Salemon said yesterday that these US bonds have increasingly been bought by Far Eastern and European investors.

The deal will relieve GMAC's balance sheet of some of its car lending business, and release more capital for lending purposes.

GM, in common with other US motor manufacturers, is embarking on a programme ef subsidised consumer financing te clear a backlog of unsold vehicles. GMAC's Eurobond will not, however, be based on loans at "incentive" rates, since the averaga interest payment on the loans is 9.75 per cent.

The issue will be backed by a pool of about 24,000 new loans, administered and originated by GMAC, and interest and principal from the loans will be passed on to certificata holders on a monthly basis.

GMAC will also provide a limited guarantee of receivables for up ta 5 per cent of the remaining outstandings in the pool. Exact terms and conditions will be fixed next week.

The issue is expected to be rated by at least one of the US rating agencies. Standard & Poors is currently considering downgrading medium and long-term debt of General Motors and GMAC. At present, its senior debt is rated AA+ by S&P and subordinated debt carries an AA rating.

## Credit Suisse ponders what to advise on Dome

By John Wicks in Zurich

CREDIT SUISSE, the lead manager for three Swiss franc issues by Dome Petroleum, is considering whether to advise investors to accept the hard-pressed Canadian company's reqnest fer a waivar of interest payments and capital redemption until the end of next February.

The Zurich bank led the underwriting of a SFr 100m issue af six-year notes, dne to mature at the end of next month, and of two bond issues of SFr 100m each maturing in 1990 and 1991.

Credit Suisse said yesterday it would have to study concrete details of Dome's proposals. However, the bank is likely to react positively and to recommend investors to grant the waiver, rather than have Dome go bankrupt.

In respect of possible prospectus liability, the Bank appears confident that this would have applied only in the case ef "gross negligence" in the prospectus at the time of issue.

In recent months the bonds have become highly speculative, with 1986 highs ef 98.75 for the 5¾ per cent bonds and 105.75 per cent for the 7½ per cent issues and respective lows of 52 and 59.5. Between Monday and Wednesday of this week, they dropped from 62 to 55 and from 80 to 73.5 respectively.

Some eppositien to acceptance of Dome's proposals already seems to be forming in Zurich investor circles. One independent portfolio manager, Dr David Feder, yesterday called the move unprecedented and strongly recommended bondhelders not te accept the proposal, which ba claimed worsened the position of tha creditors. "The banks can't afford to have Deme go bankrupt," be said.

## CITIC plans first investment bank in China

THE STATE-OWNED China International Trust and Investment Corporation, CITIC, plans to npgrade its banking department into China's first investment bank, Reuter reports.

M Jing Shuping, executive director, is reported as saying the bank will accept funds from companies but not individuals and take deposits in and trada foreign exchange after it receives approval from the State Administration of Exchange Control.

Registration date and capitalisation of the bank, to be called CITIC Xing Ye Bank, have not been fixed but it has started recruiting staff, Mr Jing said.

## Anglia Building Society launches £150m floater

BY CLARE PEARSON

ANGLIA BUILDING SOCIETY borrowed £150m in the floating-rate-note market yesterday. The deal came in the wake of a crop of issues for othar UK buidling societies. Nevertheless, Anglia's issue, which provides an attractively high yield for the first three months and is partly-paid, met an enthusiastic response.

Warburg Securities, which led the 10-year deal, fixed the first coupon payment at 10⅛ per cent, about ¼ per cent above three-month London interbank offered rate (Libor), although later payments will be at 8 basis points over Libor. Meanwhile, during the first three months the invester will pay for only 50 per cent of his par-priced bond. This is the first time a partly-paid structure has appeared in the sterling floating rate note market.

Bankers said the bond was being viewed as a three-month trading instrument. This enabled fees to be pared to 16 basis points. The issue was quoted well within this level at 99.90 on the bid side.

Credit Suisse First Boston also ventured into the FRN new issues market yesterday with a $200m 10-year collateralised bond for Santa Barbara Savings and Loan Association, priced at par and callable after three years. Collateralised deals for S and Ls have been attracting investors recently because of their relatively high return over Libor and strong credit backing.

Yesterday's deal was the first tranche of an eventual $400m deal. Coupon payments will be at a rate of ⅛ point over three-month Libor and fees total 20 basis points.

Fixed-rate Eurobond markets traded nervously after prices had been marked down substantially on ednesday. Equity warrants issues looked more healthy, and Nomura Securities borrowed $200m of funds in this sector.

The five-year, par-priced deal has a coupon indicated at 3X per cent, the level at which most equity warrants deals have been pitched since the market became congested. The Euro-pean tranche will be for $135m and $65m will be issued in Asia, by Nomura'a Singapore arm.

The deal met an enthusiastic response and traded as high as 116.

Nomura International also launched a $60m equity warrants bond for Sonoike Manufacturing, the heavy machinery company. Nikko Securities launched a $70m equity warrants bond for Koyo Seiko, a ball-bearing manufacturer. Both five-year bonds have indicated coupons of 3 Xper cent and price of par.

Hambros Bank reopened the Australian dollar Eurobond market — closed to new issues sinca a 10 per cent withholding tax was temporarily imposed on bond issues and since the Australian dollar's sharp decline over the last two months.

Yesterday's A$30m deal was for Landesbank Stuttgart. The five-year 14 per cent bond was priced at 101. It traded comfortably within 2 per cent commissions.

Late in the day Mceod Young Weir issued a C$100m 5½-year 9¾ per cent bond for Canada Trustco Mortgage. The bond was priced at 101.

Two high-yielding deals were launched. These appeal mostly to Japanese investors, although some dealers say they also attract some European demand. Tokai International led, and Banque Paribas Capital Markets co-led, a Y20bn six-year 8½ per cent bond for Denmark, priced at 117½. LTCB International issued a $150m seven-year 9½ per cent (semi-annual) bond for WestLB Finance, a vehicle of Westdeutsche Landesbank. The bond was priced at 114½.

D-mark bonds were marked down in early trading, but later bargain-bunting left bonds unchanged on tha day.

Commerzbank issued a DM 300m seven-year 5½ per cent deal for itself. Priced at par, it met an indifferent response, and was quoted at discounts around the level ef its 2½ per cent fees.

In the Swiss franc bond market, prices moved slighlly lewer in medium volume. Union Bank of Switzerland priced a SFr 150m 15-year bond for Chubu Electric Power. Tha yield was cut from 5½ to 5¼.

Swiss Bank Corporation delayed the pricing of a SFr 200m deal for Seagram till Monday, but explaiined that tbis was because of technical reasons.

Late in the day Kredietbank International launched an Ecu 50m five-year 8 per cent bond for Finance fer Danish Industry. The deal was priced at 102¾.

## Exxon seeks listing on Tokyo exchange

EXXON, the world's biggest oil company, has applied to list its shares on the Tokyo Slock Exchange and expects this to take place befere the end of tha year. It will be the first fereign oil company to have its shares listed in Tokyo.

Exxon's decision comes three months after the company listed its shares on the London Stock Exchange.

Yesterday's news helped boost its shares to a peak of $70½ in early trading.

Listing in Tokyo will, the company believes, broaden the market for its shares and facilitate access to the rapidly expanding Japanese capital market, which is the second lergest in the world. Exxon's management plans to make presentations to the Tokye investment community in mid-October.

Nikko Securities is sponsoring Exxon's application.

Exxon's shares are already listed on a dozen European stock exchanges.

### FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on September 4

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amoco Co. 9¾ 16 | 200 | [illegible] | [illegible] | [illegible] | [illegible] | 9.29 |
| Atlant. Richfield 10¼ 00 | 250 | [illegible] | [illegible] | [illegible] | 0 | [illegible] |
| Australia Cent. 11 95 | 200 | [illegible] | 117 | 0 | [illegible] | [illegible] |
| Australia Cent. 11¼ 00 | 100 | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| BP Capital 9¾ 94 | 200 | [illegible] | [illegible] | 0 | 0 | [illegible] |
| BP Capital 11¼ 92 | 150 | [illegible] | [illegible] | [illegible] | [illegible] | 8.73 |
| Campbell Soup 10½ 95 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada 9 96 | 1000 | [illegible] | [illegible] | [illegible] | [illegible] | 7.73 |
| Canada 11½ 90 | [illegible] | [illegible] | [illegible] | 0 | [illegible] | [illegible] |
| Canadian Pac. 10¾ 95 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | 8.70 |
| CEPME 10⅛ 91 | 100 | [illegible] | [illegible] | 0 | [illegible] | 7.83 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amer. Ex. OS Cr. 0 91 A$ | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brewer Lddk. 12¼ 91 A$ | 50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fiat Finance 14½ 89 A$ | 50 | [illegible] | 101 | [illegible] | [illegible] | [illegible] |
| GMAC 12⅞ 89 A$ | 40 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Landsbk. Rhein. 13 89 A$ | 30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Pac. 10⅞ 90 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Chrysler Corpn. 10 91 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Genstar Fin. 11¼ 95 C$ | 75 | †107 | [illegible] | [illegible] | [illegible] | [illegible] |
| GMAC 9¾ 92 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Royal Trustco 10¼ 90 C$ | 75 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# FINANCIAL TIMES SURVEY

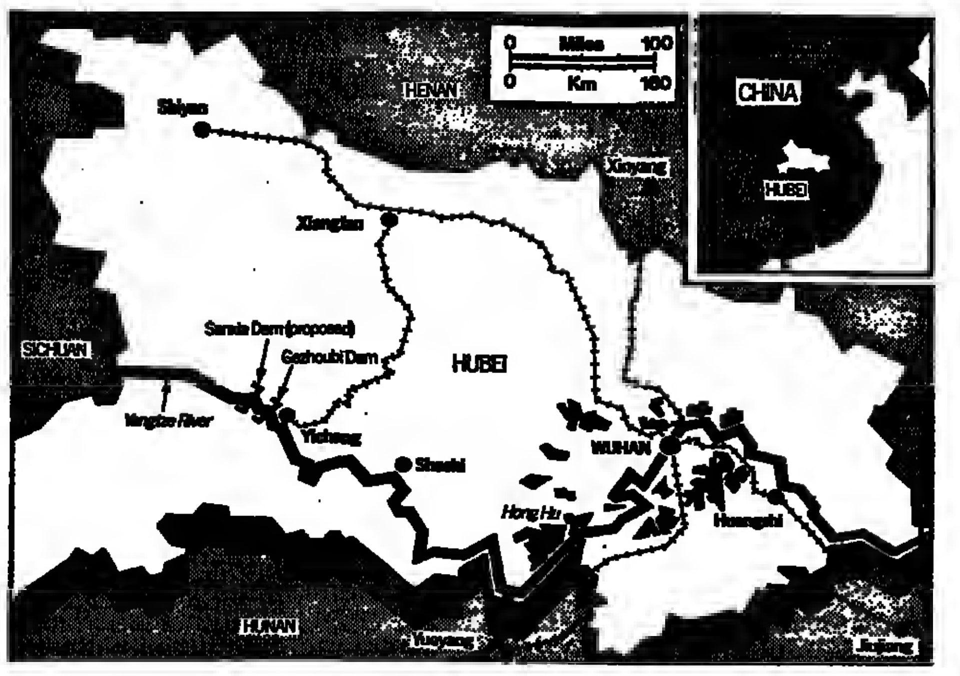
Friday September 5 1986

# HUBEI

湖北

China's fertile heartland

**Hubei's importance in the national economy is being increasingly recognised but its development depends heavily on better communications and joint foreign ventures**



## A fortunate province

By David Dodwell

WUHAN, the capital of Hubei province, and one of tha most important cities in central China, is often talked of as a city that has been fortunate in unfortunate times. As current provincial leaders strive to modernise one of tha country's most powerful agricultural and industrial machines, so they appear confident they can demonstrate that times change.

The Jianghan plain, which straddles the Yangtze river in tha heart of the province, is among tha most fertile in China. Its prolific red soil grows 20 per cent of the country's cotton, and provides the foundetion for a substantial textile industry centred around the city of Shashi. Hubei is also the fifth most important supplier of grain nationwide.

The lakes strewn across the south of the province—some of them more like inland seas—sustain about 200,000 fish farmers, and make Hubei China's third most important source of aquatic products—even supplying Hong Kong on a significant scale.

The big Gezhouba dam in the far west of the province, which straddles the Yangtze river as it rushes down through the famous Three Gorges from Sichuan, makes Hubei one of China's most important sources of hydro-electric power, supplying surrounding provinces, and even Shanghai 1,600 km away.

Gezhouba, which will have an installed capacity of over 2,700 MW when complete, is likely to pale into insignificance if the Sanxia—or "Three Gorges"—dam is ever built 40 km further upriver. This project, controversial because it would displace over half a million farmers and significantly disrupt the ecology over hundreds of miles of the upper Yangtze, would heve a capacity of over 13,000 MW. Linked with it are plans for a further 12 dams which together with Sanxia would have about 40,000 MW of generating power.

Also underpinning Hubei's importance in the national economy—with its population of 49.3m making it the ninth most populous in China—are one of China's largest motor industry bases, centred on tha No 2 motor vehicle plant at Shiyan, and the Wuhan iron and steel works, which produces about one-tenth of China's steel. The Daye steel plant in Huangshi is one of China's leading producers of special steels.

Hubei was recognised as important for its agricultural and mineral wealth by the imperial powers over a century ago. In 1861, after China was defeated in the second opium war, Wuhan was among those cities to be opened up to foreign trade as a treaty port.

Its importance was also realised by the Japanese imperial army, which fought hard—but in vain—to tap rich supplies of copper and other rare strategic metals around Huangshi on the banks of the Yangtze in the east of the province.

Today, only Chinese vessels are allowed up the Yangtze as far as Wuhan, but the province is beginning to emerge once again as an important exporter after 30 years of being refused access to international markets. Since being given the right in 1980 to export directly, overseas sales last year amounted to US$530m, and appear likely to come close to $700m this year.

Wuhan has achieved prominence many times in recent years—always temporarily, and often at a cost to itself—hence its reputation for being fortunate in unfortunate times. Late in the 19th century, Chang Chitung, the province's reforming governor, made Wuhan a prominent centre for the "self-strengthening movement" that was aimed at modernising the faltering Qing dynasty.

Under his aegis, in 1891, China's first steel plant was built in Hanyang, one of the three cities that make up Wuhan. The plant was destroyed in the Sino-Japanese war.

Most important of all was Wuhan's half-accidental role as the catalyst of the 1911 revolution that overthrew the Qing dynasty. At a time when Sun Yat Sen, eccredited insida China today as the inspiration of the revolution, was in the US, a group of dissident army officers in Wuhan was prematurely discovered plotting an insurrection when a home-made bomb accidentally exploded.

The next day — October 10 1911—four battalions mutinied in the city. The governor fled, the republic was declared, and within weeks the whole of central China was in republican hands.

Sun Yat Sen later made light of the role of these dissidebt officers in the establishmaot of China's republic, but he acknowledged the strategic importance of Wuhan when he wrote that the capture of the city "gave us the keys to the whola of central China."

For the next 20 years, this uncharismatic industrial city was an important centre for China's embryonic communist movement. In 1927, when Chiang Kaishek was focusing his military government on Nanjing, his soon-to-be-betrayed communist allies, centred around Borodin, the Soviet adviser, and Soong Chingling, widow of Sun Yat Sen, based themselves in Wuhan. The young Mao Tsetung taught for a time in Wuhan's famous peasant movement institute.

With the ascent of Chiang Kaishek, so Wuhan's importance dwindled — only to reemerga as China's capital for four and a half months in 1938 as Chiang retreated from Nanjing before the invading Japanese army. By the time the Japanese swept into the city, very little remained intact.

People in Hubei today appear reluctant to talk about the period of Japanese occupation, but it is perhaps notable that Japan ranks unusually low as a trading partner and investor.

Even since liberation in 1949, Wuhan's political role has been important but ill-starred. On July 16 1966, Mao Tsetung made his famous swim across the Yangtza at Wuhan, accompanied by 5,000 zealots. At the age of 73, he was warning his opponents that ha was oot a spent force politically.

Within a year, the cultural revolution had been launched, opponents had been dislodged and the country was being plunged into a period of anarchy that lasted for the better part of a decade. In Wuhan, tha anti-Mao "million heroes" faction took up cudgels with the "Wuhan workers' general headquarters" factioo, and by the time they had been crushed, 200,000 people were dead, injured or crippled. Wuhan people talk little today of that unhappy period—or of the city's role in triggering it.

Today, Governor Guo Zhenqian is striving to carve a reputation for the province as an economic and industrial innovator. As a graduate of the trade department of the People's University in Peking, and e former director of the People's Construction Bank, he is well-placed to oversee such development.

Hubei has been eet apart as e testbed for reforms intended to strengthen links between urban centres and their rural hinterlands, and between the vertically-integrated state organisations that in so many Chinese cities set up formidable bureaucratic walls against co-operation between departments.

Despite this policy commitment, evidence of barriers to co-operation remains strong in the province. Grand sounding eotities like the General Yangtze River Through Transport Corporation, set up last year as a "trans-provincial, inter-departmental alliance combining water, railways, highway and road transport," appear more impressive in concept than in what they have so far achieved.

Provincial import-export corporations appear more than usually active and enterprising, but manufacturers throughout the province remain ignorant of the foreign markets in which their products are judged. Despite an unequivocal commitmeot from the Hubei Government to boost foreign trade, one wonders how a factory director in the province can ever become adequately aware of the quality and cost-competitive forces et play in foreign markets while the only officials to heve direct contact with them are those operating the monopolies of import-export corporations.

Unlike in some provinces, where a oumber of larger enterprises have been allowed to set up direct trade links with foreign buyers, this is conspicuously absent in Hubei. Government officials are unquestionably committed to buying foreign equipment, seeking foreign investment, and tapping foreign expertise.

A large number of foreign experts—many of them German or from Hong Kong—are working as advisers or line managers in factories in the province. Mr Werner Gerich, who beads Wuhao's diesel engine plaot, has been made a national bero as a reward for bis efforts to raise standards of efficiency.

The rewards of this commitment are as yet hard to see, however. Hubei has attracted comparatively few foreign joint ventures—a total of 58, with e total investment value of US$110m—and e number of those agreed have subseqoently floundered. Outsiders' awareness of these shortcomings is nevertheless probably more a result of greater-than-usual frankness on the part of local officials than of a higher-than-average failure to seal joint venture deals.

Hubei's slow start in securing joint venture interest may be linked with problems inevitably associated with being so far in China's interior. Provincial officials make much of Wuhan's excellent communications—based on the Yangtze, and on the main North-South railway between Peking and Canton—but perhaps perceive only dimly how awful China's internal communications are in comparison with other countries in the world.

The province's undoubted strengths as a base for agriculture and mineral extraction, and for industries based on these such as textiles, steel and chemicals, will probably in due course ettract foreign interest—but this is likely to take time, and may be linked with the completion of projects to improve ports along the Yangtze, speed rail communication, and widen roads throughout the province. The creatioo of new shipping companies like Datung and Qingchuan are also likely to be moves in the right direction.

While foreign investments remains limited, foreign trade has begun to grow strongly—with a strong stimulus from the Hong Koog market, which absorbs large quantities of Hubei's farm products, and the lion's share of its cotton, ramie, and textile products.

With China hopefully moving into more fortunate times, there is a real chance that Hubei will in the oear future have the opportunity to demonstrate that its own good fortune need oot be linked with turbulence and upheaval in the country at large.

This will certainly be a major aim of Governor Guo and the team of officials appointed around him, and many both inside China and out share a keen interest in his success.

### Surveys on China

THIS SURVEY is the second in a new series of surveys of selected regions and industrial sectors of China, to be published during the rest of 1986.

Our survey on Tianjin, the trade gateway to Northern China, appeared on Wednesday August 20. A combined reprint of all these surveys, together with the FT's annual national survey on China, will be available in December.

For copies, please send your order to Michael Robinson, Publicity Dept, Financial Times, 10, Cannon Street, London EC4P 4BY, together with a remittance of £5 per copy ordered.

Contents

## Wuhan

# A test case for reforms

"NOW WUHAN, build Wuhan," urges a banner strung across a street in this central Chinese city. In the here and now, Wuhan needs rebuilding, having been treated with tha same neglect that has left so many Chinese cities without lustre and with a chronic collection of infrastructure problems.

The city, however, has a colourful past that lingers in its streets. A foreign concession, now rundown but scheduled for renovation, stands on the left bank of the Yangtze which last spilled into Wuhan in 1954. Residents still talk of the "big flood" of 1931.

Seven years after the "big flood" Japanese troops poured into the city, which had a short life as a war-time capital after Nanjing fell. Before tha Japanese arrived, factories, libraries and the government apparatus were moved upriver to Chongqing in a Dunkirk-like operation.

After the city fell on October 25, 1938, about 30,000 people and 90,000 tonnes of material were swaiting transport. The Minsheng Shipping Company ignored the squabbling of Chinese officials, and transported the lot up river. Minsheng was sunk after Communist rule began in 1941, but has since been refloated under the economic reform policy, and its second coming — with bases in Chongqing, Wuhan and Hong Kong—is cited as a symbol of China's commercial rebirth.

Free market in Wuhan

Tha city — spread over 8,216 sq km in a triptych-like configuration of the smaller cities, Hankou, Hanyang and Wuchang — also has an ambiguous revolutionary past. It was, accidentally, the starting point for the 1911 revolution that overthrew the Qing dynasty when an arsenal collected by Chinese revolutionaries exploded and they were forced to rebel ahead of schedule.

A more recent act of rebellion was the mutiny by soldiers in the Wuhan garrison during the cultural revolution (1966-1976), when the city was bloodied by violent faction fighting and the excesses of Mao's teenage "Red Guards."

Now, Wuhan is in the midst of an economic revolution of sorts, having been given the power of a province to decide on economic policy and engage in foreign trade. It has been a test case for sensitive reforms such as bankruptcy and the issuing of commercial paper.

The city seems to be feeling its way with the new-found power, and one gets the impression that there is competition between provincial and municipal departments, particularly those involved in foreign trade. Several officials, keen to make light of the issue, said that "competition" is not tha right word. It is more a matter of "choice," they said.

A good example of that "choice" was provided by the Wuhan printing and dyeing factory, which is under the municipality's jurisdiction. Provincial trade authorities this year increased the amount of hard currency from exports the factory could keep from 12.5 per cent to 25 per cent.

The move has lured the factory's business away from the municipal foreign trade department, which only allows the factory to keep 12.5 per cent. Municipal trade officials indicated that they are considering an increase.

Wuhan was given economic autonomy in mid-1984, after a significant visit to the city a year earlier by the Communist Party general-secretary Hu Yaobang, who urged local authorities to "make Hubei advance in the front rank in socialist modernisation."

The city was listed as a "port for external trade," the municipal administration was supposed to be streamlined, and a "comprehensive communications network" was to be established to facilitate development. Wuhan officials were asked to set separate targets for "economic, scientific, technological and social development plans."

But the city has yet to fulfil those goals. Foreign investment has been modest — modest enough for tha city to be less affected by the recent toughening of central control over foreign exchange. About 20 joint venture contracts have been signed, with foreign investment of just over US$30m. About half are manufacturing projects and most of tha remainder are service ventures.

Foreign trade has improved, with exports at US$62m in the first seven months of this year, compared with US$52m in 1985. Whila the city has the transport advantage of being situated on the main Peking-Canton rail line, its plans for a new airport are yet to get off the ground.

A vice mayor, Liu Zeqing, said that airport designs are still to be finalised. "We are hoping for foreign help," he says. The aim is for construction to be underway by 1990, but no specific fund allocation has been made for the seventh five-year plan (1986-90).

Mr Liu admitted that development generally is still hindered by the legacy of the cultural revolution. He said the "poisonous weeds" have been "basically but not completely" removed: "The Physical damage was easy to correct, but the injury to the morale of the people has not been so easy to correct."

Central Wuhan, capital of Hubei where most of the transport is by bicycle

The city has moved to improve its inadequate telephone links with a digital communications system from American Telephone and Telegram, which will add 11,000 subscriber lines to Wuhan's network, and provide up to 90,000 trunk lines. The US$4m system was dua to go into operation in September, but a Chinese official said that "problems" have arisen and it is not likely to come on line for several months.

Liu Zeqing said the municipal government's vision is to "open the doors more widely" and turn Wuhan, with its urban population of 3.98m and total population of 6.8m, into a bustling commercial centre in the heart of the middle kingdom.

He, too, says there are no problems in the relationship between Wuhan and the province. "Fundamentally, we do not have any conflict, and we do not have any conflict in the trade field. The only competition will be to export more goods and earn more income for the province."

Mr Liu admitted that conflicts exist over the testing of new economic tools in Wuhan. The most controversial of those experiments has been the bankruptcy provisions. While no company is yet to go under, two have officially been put on notice—the Wuhan measuring and cutting tools factory and the Wuhan experimental cloth mill.

The vice mayor said that there is an "argument" over whether bankruptcy laws should be formally introduced, but hopes that "the argument will make things clearer." The city is installing new managers at the threatened factories, and will know in the next few months if they are to be declared bankrupt.

Wuhan is one of three cities experimenting with bankruptcy laws, and has, along with Shenyang in the north, issued commercial paper in recent months to ease a credit squeeze that had threatened to bring down several enterprises.

Vice mayor Liu said that the city with the ambiguous revolutionary past "still has the flavour of revolution: This revolution can be seen in tha construction of Wuhan and the economic reforms," he says.

**Robert Thomson**

## Chinese commodities market

A 61-YEAR-OLD weather-beaten peasant with unkempt hair and grubby clothes was weighed down by large sacks strung over each end of a wooden pole. This was one of his twice monthly visits to the Hanzheng Street small commodities market in Wuhan.

The farmer-turned-trader explained that his dealing in buttons, combs, ribbons, belts and socks earns him almost 200 yuan (US$ 53.7) a month, about five times what he made as a man on the land. His village 100 km away cannot get enough of his wares, but he is officially retired and does not want to push himself too hard.

Hanzheng Street was originally the heart of a squatter district that developed into a commercial centre. After Communist rule began in 1949, the street lost its commercial character and returned to its residential roots.

In 1979, with the coming of Deng Xiaoping's brand of economic pragmatism, individual traders were allowed to return, and there are now 1,540 stalls selling everything from shoe laces to vacuum flasks and Mexico '86 caps.

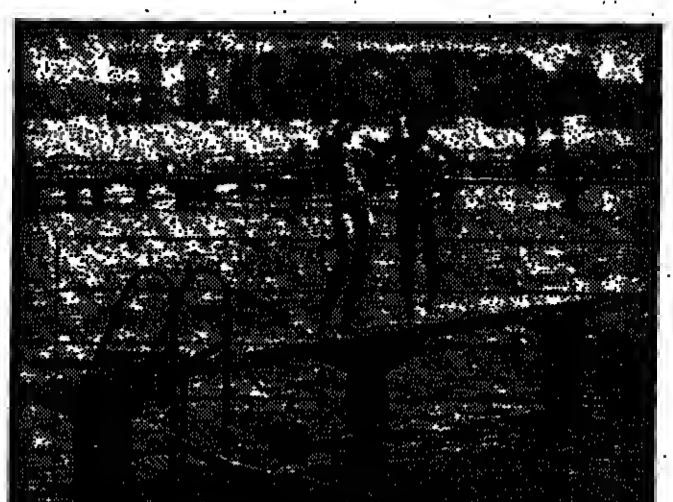
The street's administration office earned over 800,000 yuan (US$216,215) in taxes and fees last year, and the total volume of business was estimated at 500m yuan.

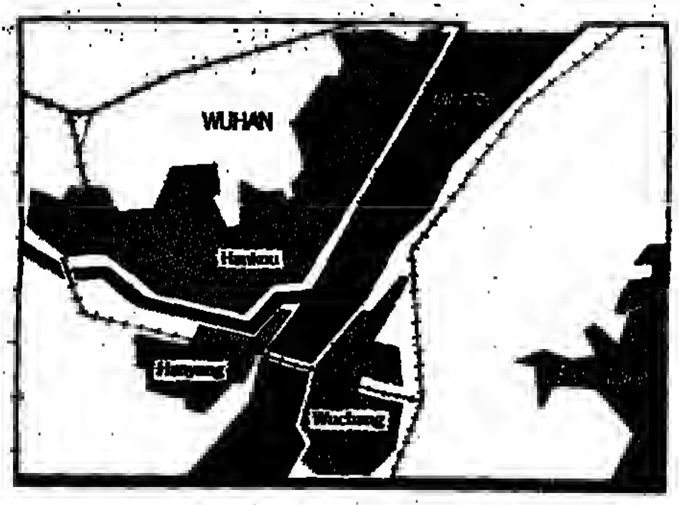
2r

Tax collection appears to be an arbitrary business, at least according ta the description by the market's administration director Lei Jiqing, who said that traders are required to estimate their sales, then neighbouring traders will be asked to verify the figures if they appear to be understated.

"We don't consider them as capitalists," he said of the traders, who are allowed to "invite" two or three people to work as assistants. "It's quite different. The thing about capitalists is that they exploit others."

A trader in buttons and "lucky" brand fans said his business is "serving the people." He finds that buttons sell well in winter because that is when rural people make more clothes, while the fans are his best summer line: "Some months I make a good profit, some months I make no profit and some months I make a loss."





Left: swimmers in the Eastlake Wuchang, one of the three cities that make up Wuhan

## Trade and Investment

# Variable fortunes of joint ventures

WHILE MANY Chinese provinces claim to have suffered badly under the strict central control of foreign exchange imposed in the past year. Hubei officials are frank enough to admit that they have suffered less than most because their region has yet to attract large scale foreign investment.

Similarly, the province's foreign trade has risen steadily and unremarkably, showing that while the Yangtze River has been a useful asset, Hubei is still well behind the trade levels of the more prosperous coastal areas.

On export volume, Hubei ranks 10th among China's 28 provinces and regions, but that is at least a rise of two places from its position in 1980. In nominal terms, exports rose from US$250m in 1980 to US$450m in 1984 and US$540m last year.

However, some provincial officials are certain that the region would improve its foreign investment levels given mora power by central authorities or at least given the restoration of power allowed in 1985. Among them is tha vice-president of the Hubei Provincial International Trust and Investment Corporation, Zhao Julun, whose organisation occupies what was the Bank of Tokyo building before communist rule began in 1949.

Mr Zhao said that before 1986 the Investment Corporation "performed very efficiently," but "in 1986 this kind of corporation is controlled very tightly": "from 1983 to 1985, we could borrow foreign money very freely. Now, if we want to borrow money we have to make a report to the People's Bank (the central bank)."

The investment corporation believes that it has invested prudently, having taken a stake in joint ventures for a textile mill, and a bed sheet plant, both of which are exporting about 90 per cent of their output, and raised loans for numerous other projects.

"It is my feeling that perhaps the central government thinks too much has been borrowed in China and that perhaps we will have a problem of repayment," said Mr Zhao, who was of the opinion that the central authorities are over-cautious.

The investment trust, which is supposed to raise funds for joint ventures, has a curious relationship with the Bank of China, which handles foreign exchange dealings and also arises finance for joint ventures.

Mr Zhao said that no competition exists between the two organisations, though each has its own "trade secrets," whila Dong Weimin, deputy manager of the international department of tha Bank of China's Hankou branch, said that both organisations are unlikely to assist the same venture and that Chinese organisations have a choice.

The concept of "choice" also applies to which foreign trade corporation is used by factories in the provincial capital of Wuhan. Since 1984, Wuhan has had the power to export directly, and has set up the necessary trade corporations to conduct that work.

However, the director of the Wuhan printing and dyeing factory, Mr Jiang Yanping, explained that the provincial trade corporations are allowing factories to keep 25 per cent of export earnings after quotas have been filled, while the municipal trade corporation is allowing only 12.5 per cent to be retained. Naturally, Mr Jiang's factory is using the provincial authorities.

The president of the Wuhan administrative commission on foreign economic relations and trade, Mr Wang Guisheng, maintained that the municipality had fared well since winning its trade independence. In the first seven months of 1986, exports totalled US$62m, compared to US$52m for 1985.

Mr Wang said that the city had established 20 joint ventures with foreign investment of just over US$30m. The province, apart from those set up in Wuhan, has established 39 joint ventures, with foreign investment totalling only US$13m. Of those projects, 35 involve companies from Hong Kong and Macau, while four are with US companies.

The deputy director of the foreign investment division of the Hubei foreign economic relations and trade bureau, Mr Zhou Zhixian, conceded that seven of the ventures hava virtually collapsed.

"Hubei has the same problems as other places. We see the responsibilities falling half on the Chinese partner and half on the foreign partner. For example, some of the foreign partners have not invested in accordance with their contract," Mr Zhou said.

"Some of the partners also provide substandard equipment. On the Chinese side, the supply of raw materials can be uncertain. Sometimes the Chinese partner does not invest the equity on time and other problems are caused because they are not familiar with contracts."

Hong Kong companies have contributed most of the foreign investment, yet there has been no investment from Japan, China's largest trading partner. Mr Zhou Zhixian said Japanese investors "see more difficulties" with projects in China, and are a "bit conservative."

The vice-director of the Hubei foreign economic relations and trade department, Mr Fan Kaishi, said that the province had established offices in Guangzhou and the Shenzhen special economic zone in an attempt to lift its trade performance.

During the seventh five-year plan (1986-1990), the province aims to increase its position from tenth to ninth on the Chinese trading ladder, and hopes to diversify both its export markets and products, which are headed by textiles, agricultural produce, chemicals, machinery and light industrial goods.

There has been a decrease in the proportion of primary product exports, while manufactured goods, which made up 57.5 per cent of all exports last year, are continuing to rise. Also, while Hong Kong remains by far the largest market—in 1975 about 50 per cent of goods exported were sold to the territory—its share is falling, and last year the figure was 40 per cent.

**Robert Thomson**

Industry

# Making of a national hero

INDUSTRIALLY SPEAKING, Wuhan has been the focus of national attention because of the management exploits of a retired West German engineer, Werner Gerich, who took control of a diesel engine factory in late 1984.

The enterprise had the problems afflicting many factories in Hubei: outdated equipment that was installed in the 1950s, and e management system that stifled initiative. Mr Gerich fired the plant's engineer and the chief quality controller, tidied up the parts supply system, and strictly monitored working hours. As a result, he became a national hero.

While most of Mr Gerich's alterations were basic, similar changes need to be made in many factories. The province and Wuhan, in particular, are paying tha price for an industrial evolution disrupted by the Second World War, and then hampered by policies that seemed content with 1950 levels of advancement.

Before Wuhan fell to the Japanese in October 1938 — at tha time it was the Chinese capital — the heart of its industry was transplanted up the Yangtze River to Chongqing (Chungking). A few years after the war finished, Peking decided to get industry off tha ground again by moving factories from Shanghai to Wuhan.

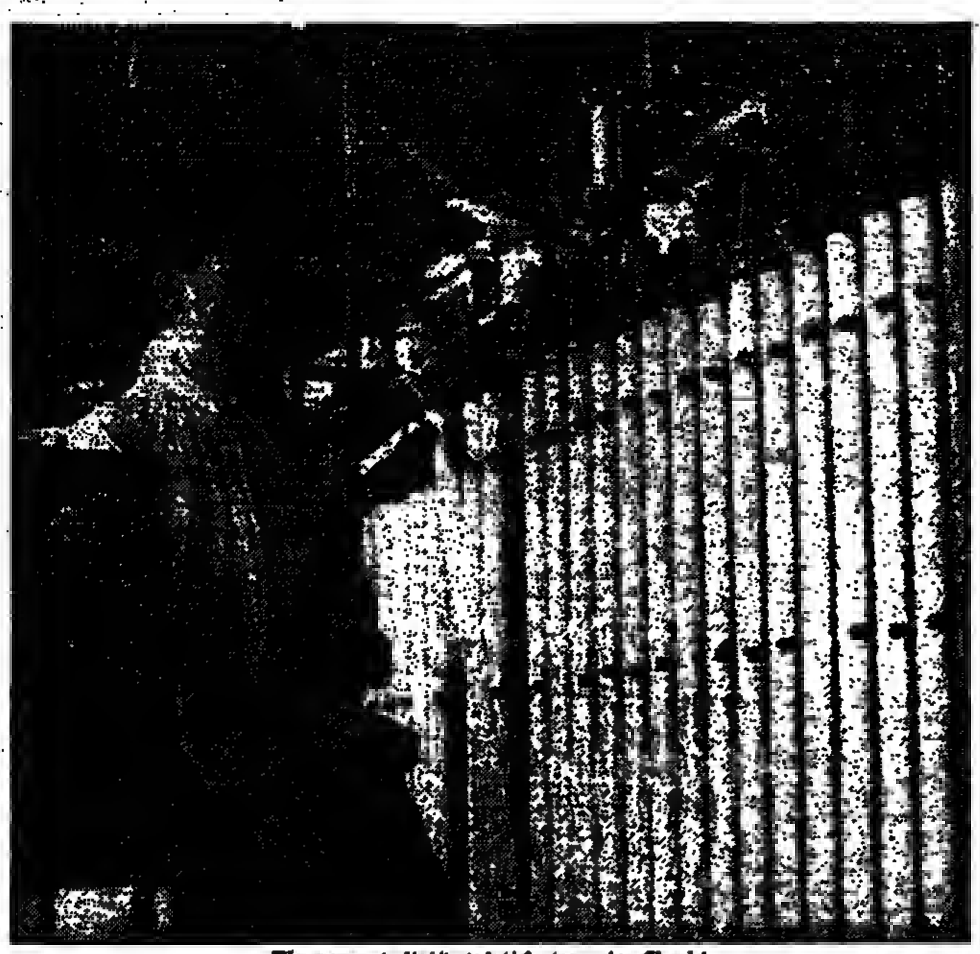
One of those plants is the Wuhan printing and dyeing factory in Wuchang. Its director, Jiang Yanping, said the Shanghai shift was intended to "plant the seed" of Shanghai's industry in what was then a *struggling city*.

Mr Jiang's factory has also tapped the retired foreignet market. They had a retired British engineer working for three months until June this year, and are fishing for another British technician for next year.

Wuhan, which is the largest industrial centre in central China, plans to increase what it calls "intelligence imports" by having 80 foreign experts working each year in the city. Last year, there were 55 such specialists advising on industrial reform.

Mr Jiang concedes that a major difficulty for Chinese producers is guessing the wants of foreign buyers — about 20 per cent of the printing factory's output is sold in South East Asia, while 80 per cent is sold domestically. In response, he has developed e design research team which is supposed to keep its finger on the fashion pulse.

The factory, like most others in Wuhan, suffered because of power shortages earlier this year after the provincial government ruled that energy for industry should be diverted to help overcome a crippling *drought. The measures were* announced in April, and some factories were instructed to cut their use by at least one-third.



Fluorescent light tub factory in Shashi.

Since then the rains have come, and the problem has eased. However, the situation highlighted tha thin line between adequate and inadequate power, a line that has been crossed many times at the Wuhan Iron and Steel Company, the second largest of its kind in the country.

In 1974 the company bought rolling mills worth US$600m from Japan and West Germany, but it was not until last year that the equipment's potential was fully realised because of energy shortages.

Tha steel plant is another of the three-decade-old factories in need of renovation. (The factory was officially opened on September 13 1958, when Mao Tsetung was e special guest. An employee said that when staff refer to the September 13 anniversary, they have to make clear they are talking about Mao'a visit and not the downfall of Mao's former offsider, Lin Biao, on September 13 1971.)

*Last year,* tha company bought a steel painting line from Davy McKee of the UK for US$4.98m, and has been negotiating with Japanese and West German companies for other major purchases. About a third of its iron ore is imported from Australia, with the remainder of the 8m tonnes annually coming from Chinese mines.

The company has falt the push of Brazil into the iron ore market, having received several delegations this year trying to convince it to change the allegiance from Australian to Brazilian ore: "The Brazilians offer a very good price, but the transportation is a problem. We have not bought any ore from them yet."

This year the plant will produce about 4m tonnes of steel, and although officials claim that it has developed 50 new products, 30 of which are supposed to be in mass production, the general manager of the China Metallurgical Import and Export Corporation, Shen Wenxu, admitted that special steels are not and would not be its speciality, despite growing domestic demand.

*Domestic demand for a factory* bidding system is more uncertain. About 35 Wuhan enterprises were experimenting with the system at the end of 1984, but industry officials mada clear that bidding is still in very limited use.

It has been tested by the Wuhan heavy duty machine tool works, the largest in China. There has been little or no change of suppliers so far by the works, which last year earned 3.9m yuan (US$1.05m). The factory vice-director, Zher Wei, hopes for more power next year, but the issue is sensitive as inefficient suppliers could face bankruptcy, another controversial issue, if they lose long-time customers.

The ability to hire and fire has been much talked about by Peking but like bidding, its use is extremely limited. Despite several years of talk about breaking the "big iron pot," the factory only received Peking's imprimatur on the policy last month, Mr Zher said, and as yet no workers have been sacked nor are any sackings imminent.

**Robert Thomson**

Copper mining in Huangshi, a city rich in mineral sources in the east of Hubei.

Motors

# Little Detroit of the province

THE LOCALS call Shiyan, in the north west of Hubei province, "motor city" but 17 years ago, before work began on the number two motor factory, there were no more than 100 families in the area. Now, the city of 380,000 is a diminutive Detroit.

In fact, the parts factories and support industries are so numerous thet the hilly region, chosen as the factory site partly out of fear of the Soviet threat during the late 'sixties is unable to take much more development.

So the number two factory with its 95,000 workers has had to spread the load to Xiangfan, about 150 kms to the east, where a new truck factory, specialising in heavy-duty eight to 14-ton diesels, is under construction.

The Shiyan euto works has been lauded by Peking authorities as a model of self-reliance and efficiency, but the factory has borrowed much from Japanese management techniques and has been increasingly importing equipment — mostly Japanese, West German and British—to improve the product.

In the assembly plant, workers wear colour-coded caps, with blue signifying that the person is a labourer, while red is for quality controllers, and green is for engineers and technicians. (The factory has got around a bonus tax that has severely limited the ability of most Chinese enterprises this year to give material incentives to workers . . . it eutomatically includes bonuses in e wage package and does not feel obliged to pay the tax.)

The expansion of the plant's production—up by an average of 54 per cent in each of the past six years—has left holes in the production chain. There are not enough test drivers, and equipment in some of the support factories are Dickensian in age. A military theme lingers, with 2.5- and 3.5-tonne cross-country vehicles built fundamentally for military use. But with China's present policy of commandeering military resources for civilian use, the emphasis is on commercial vehicles.

Similarly, the auto works reflects the Government's export ambitions, and its strategy to decentralise authority to do so. In January last year, the plant began handling exports itself for the first time, after having previously exported under the auspices of the Wuhan-based Hubei branch of the China National Machinery Import and Export Corporation.

Domestic demand is still stronger than supply, and exports comprised only 2 per cent of the 91,000 vehicles produced last year. Hard currency earnings were around US$2m, about the same as in 1984.

"We don't feel that this amount is in keeping with our development," said Gao Mingxiang, the vice-president of the automobile works, who is feeling the Peking push to export. The carrot for the complex is that it can keep 40 per cent of foreign exchange earned, while 50 per cent goes to the central government and 10 per cent to provincial authorities.

The euto works has chosen the awkward "Aeolus," the Greek god of winds, as its foreign trade name—its domestic brand is "Dongfeng" (east wind). The quality and style of the trucks is such that they could not compete on major markets and most exports have been to the Philippines, Cameroon, Sudan and Mali.

The plants engine block plant is on the verge of completing an agreement to supply the Shanghai Volkswagen Santana joint venture as part of that project's drive to localise production. The vice-mayor of Shiyan city, Xiang Maohao, explained that the number two truck works is the engine for the development of the city, which has given priority to making the remote area more congenial so as to attract workers from other provinces.

Mr Xiang said that in drawing up the city strategy the auto works naturally plays a large role in advising government what direction policy should take. Now, he and the other city leaders have decided to put "motor city" on the map by printing glossy brochures to show tourists that Shiyan is more than just a truck factory.

**Robert Thomson**

THE tiny Baihushan port, built during the past three years by the China National Foreign Trade Corporation as the main channel for Hubei's growing export business, is the improbable home port for the Qingchuan Shipping Company, a six-vessel ocean-going fleet controlled by Hubei's foreign trade department.

Built about 40 km east of Wuchang, Baihushan *will eventually have six floating berths, storage space for 30,000 tonnes of cargo, and a dedicated rail link to China's main north-south railway. At present, its two berths handle* about 200,000 tonnes of cargo a year.

Zhang Guanpin, chief engineer of Qingchuan Shipping, says the company has been operating from Baihushan since customs facilities were completed in 19[illegible]. Its modern 5,000-tonne vessels now ply direct between Hubei and Japan, Hong Kong and Singapore, saving the provincial import-export corporations invaluable waiting time at the congested Shanghai port.

The bulk carriers are the biggest the shipper can safely navigate up to Wuhan, because of height restrictions on the rail and road bridge that crosses the Yangtze at Nanjing: "We need to buy vessels shaped rather like me," he jokes: "They have to be rather short and rather wide."

# The taming of the Yangtze

THE [illegible]ING red waters of the Yangtze river — better [illegible] to most Chinese as the Changjiang—have for centuries imposed a powerful invisible force on the minds of generations of Chinese people.

The rich aluvial soils that were swept down by the Yangtze from China's far West into the plains at the heart of the country have created around the river one of the most fertile regions on earth. At the same time, its floods have taken their toll of millions of Chinese lives. People still today talk of the "great floods" in 1931, 1935 and 1954.

When Mao Tsetung in 1966 began to claw power back from Liu Shaoqi, eventually unleashing the cultural revolution on the country, he gave warning of his re-emergence by swimming across the Yangtze at Wuhan. At the age of 73, he used the river's power to emphasise that Mao was anything but a spent force.

The symbol was lost neither on the 5,000 zealots who swam across the river with him, nor on the Red Guards who a year later rose up around Mao to sweep Liu—and with him men like Deng Xiaoping—from power.

Even in today's calmer times, the Yangtze lends a charisma to dozens of cities on its banks that in every other sense would be bland, sprawling industrial conurbations.

This is particularly so in Hubei, where Yichang, Shashi, Huangshi and, most prominently, Wuhan have grown to play important roles not just in the development of the province, but in the economy at large. "The Yangtze is unlike the Rhine or the Mississippi," says Lu Guowei, who heads the recently-formed Datung Shipping and Trading Group based in Wuhan. "For a start, most of China's industry is based on the railways, not on rivers."

As a result, the Yangtze is greatly underused as a means of transport—but is perhaps at the same time less polluted than it would be if factories lined its banks. It is also under-used as a source of hydroelectric power, despite the near-completion of the 2,715 MW Gezhouba dam on the western outskirts of Yichang.

It is noteworthy that plans for Gezhouba dam were first laid in 1958, in the aftermath of the 1954 flood. As important then as the supply of electricity, was the prospect of improved irrigation, flood control, and better navigation along a waterway that gives 3,000 tonne vessels access to cities more than 2,000 km into China's interior.

Propaganda films of the building of Gezhouba dam are redolent with symbolism linked with man's conquest of nature. Just as heroic revolutionary feats enabled workers to remove mountains, so the breaching of the Yangtze at Gezhouba involved the taming of what had previously been regarded as untamable. The threat of flood has now receded, and irrigation along the Yangtze's banks is extensive, bringing immense benefits to China's agriculture.

Gezhouba was ambitious even by today's standards, but it dwindles into insignificance against plans for the Three Gorges — or "Sanxia" — dam 40 km further upstream. If built, this project — improving navigation, flood control and irrigation on the Yangtze — would have a generating capacity of more than 13,000 Mw, but would displace almost a million people, and result in major environmental changes in the upper reaches of the Yangtze.

A new two-year review of the Sanxia project was recently ordered, and even if it then gets a green light, it is unlikely to be in operation before the turn of the century.

It is a measure of the untapped potential of the Yangtze that the Gezhoube and Sanxia projects are but two of 14 hydropower stations proposed for the upper reaches of the Yangtze which would have a total installed capacity of 40,000 Mw.

As an artery for domestic and foreign transport the Yangtze has also been barely tapped — partly because so many factories are based on railways, partly because many railways travel parallel to the Yangtze, and partly because the "self-sufficiency" drives of the cultural revolution reduced the need of many major centres to trade with other parts of the country.

With the reversal of these policies, so central, provincial and municipal leaders have begun to reconstruct China's creaking infrastructure — including use of the Yangtze and its 15,000 km of navigable tributaries.

Port facilities are being modernised despite the technical difficulties that arise on a river that is 20 metres deeper in flood than it is when water is low. Linkages between rail, road and water transport are being established despite strong bureaucratic obstacles to such inter-departmental co-ordination, new shipping groups are being established. Most important, ports like Wuhan have been given the right to trade directly with the outside world.

**China's greatest river and its 15,000 km of navigable tributaries, for long under-used as a means of transport are being harnessed for hydroelectric power**

Of the 321m tonnes of cargo carried on China's inland waterways last year — about one fifth of China's domestic freight — about 230m tonnes was carried along the Yangtze and its tributaries. Vessels up to 5,000 tonnes (the limit imposed by the road and rail bridge crossing the Yangtze at Nanjing) take about two days to carry freight as far as Shanghai. Two days in the opposite direction would take vessels of up to 3,000 tonnes to Chonguig in Sichuan.

The Changjiang Shipping Agency, the state-controlled shipper that until recently had a monopoly of transport on the Yangtze, operates 2,000 vessels with a capacity of 1.7m dwt. Alongside this agency, however, proliferate more than 800 shipping companies thet operate about 230,000 smaller vessels along the Yangtze's tributaries.

More recent creations are the Qingchuan Shipping Company, founded in 1981 by the ministry of foreign economic relations and trade, which dominates Hubei's foreign trade, and Datong Industries, a collective operated by the family that ran Minsheng Shipping before 1949, which today operates tugs and barges along the Yangtze, trans-shipping at Nanjing or Shanghai to ocean-going vessels controlled by its Hong Kong-registered associate.

Qingchuan, which has six modern 5,000-tonne bulk carriers, shipped 540,000 tonnes of export cargo last year, most of it from a newly-built foreign trade port at Baihushan. This new port, about an hour east of Wuhan, expects to be linked up to the national railway system by 1988.

Of the nine main ports in Hubei, only two have the customs facilities enabling them to conduct foreign trade—Baihushan at Wuhan, and the port at Huangshi.

Officials in Wuhan estimate that about 35 per cent of the cargo leaving the city is carried by ship. They concede that the present administered pricing system for freight transport remains skewed in favour of rail, but have no immediate plans to adjust freight charges to make shipping more attractive.

Economists at the World Bank gauge that the true cost of river transport—particularly for bulk cargoes like coal, sand, timber, cement, bricks and mineral ores—is less than 65 per cent of transport by rail. Even more significant in a country where energy is in extremely short supply is the fact that energy costs for every tonne-kilometre carried by ship are about 30 per eent of the costs of rail transport.

With such cost comparisons—and the fact that China's railway system is chronically overburdened — the need to boost river transport appears urgent. The appearance of organisations like the General Changjiang river Through-Transport Corporation—intended to co-ordinate road, rail and water transport between Chongqing in Sichuan to Nanjing in Jiangsu —is thus e move in the right direction. Evidence of their putting thoughts into practice would be even more encouraging, but this has yet to materialise.

Zhu Bingxian, head of the foreign economic relations and trade commission at Yichang in Hubei's far West, is in no doubt that his city's growth would be greatly enhanced by more effective use of the Yangtze: "I think we use about 20 per cent of the capacity of the Yangtze at present," he said. "If it were fully used, it would be worth 40 railways."

How long it will take to reach this point—and what Yichang, Wuhan or Huangshi will look like then—is anyone's guess.

**David Dodwell**

# Garden city transformation

**Profile of Shashi, the textile city and the epicentre of cotton-growing country**

LIU ZONGMEI, deputy Mayor of Shashi in the West of Hubei, is in meny ways a symbol of the young textile city that sits at the centre of the Jinzhou area, the very epicentre of China's cotton-growing country. She is young herself—though too discreet to reveal how young—and e graduate from Shanghai's Netional Textile University.

Before being appointed e deputy mayor early this year, she had spent most of her career working in the textile industry. In a city where e quarter of the 217,000 population is directly employed in the textile and garment industry, she could not be better placed to feel the beat—and to orchestrate the development—of a city where textiles account for 50 per cent of total industrial output value, and 70 per cent of exports (which amounted to RMB 144m yuan (£26.47m) in 1985. The Jinzhou area—a total of 12 counties close to the Yangtze river in the centre of the fertile Jianghan plain—produced half of Hubei's cotton last year. That amounted to 10 per cent of the total production in China.

Despite the labyrinth of textile and garment factories, it has won the title of a "garden city" because of its leadership's rare ettention to pollution problems, and urban planning.

Sanitation is among the best in China, along with the standard of hospital services, according to reports in the Peking-based New China News Agency. Trees, parks and lakes produce e striking contrast to the drab, grey sprawl of most modern Chinese cities.

Shashi has also been set epart as an experimental base for China's economic transformation. After the two decades up to 1980 when the country's cities and rural areas had been encouraged to be self-sufficient, Shashi is among a group of cities asked to develop as rapidly as possible economic and commercial links between the city and its rural hinterland.

The leadership has also been encouraged to establish direct links with research centres across China as an aid to its modernisation. As a result, the textile industry in Shashi draws directly on the research findings of Mrs Liu's own university, the National Textile University in Shanghai.

Shashi's light industrial manufacturers have built up links with the technical and scientific institute in Wuhan, while local chemical manufacturers are applying the research of academics at Peking's Qinghua University. And if that is not enough to set the city apart, it boasts China's largest manufacturer of vacuum flasks, which in 1985 made e quarter of the country's output of 16m flasks used to carry boiled water.

**David Dodwell**

# Struggle for greater power

**The Gezhouba dam: an effort to tap the immense force of the Yangtze**

AS GEZHOUBA DAM, 2,600 metres long and 47 metres high, nears completion, so it is difficult to imagine the mammoth effort of human will involved in its construction.

When work was at its peak, 120,000 workers swarmed across the site. The city of Yichang, which even today only has a population of 400,000, must have reeled under the impact of such a project on its doorstep. More than 100 workers died breaching e river that had never before been tamed.

The first initiative for a dam at Gezhouba came in 1958, shortly after major floods killed thousands along the banks of the Yangtze and swept away numerous villages and homes. Floods—like the tyranny of the landlord classes—had throughout history seemed to be a cross that China's peasants would always have to bear.

With liberation in 1949, and the overthrow of the landlord classes, suddenly the impossible seemed possible. The Communist Party leadership, inspired by the recent victory over the landlords, realised that the taming of the Yangtze was also symbolically within its grasp.

It took until 1970 for work to begin, and even then the turbulence of the cultural revolution brought work to a halt between 1972-74. It took until January 1981 for the main channel of the Yangtze to be closed. The first seven of the dam's 21 turbines began generating electricity seven months later.

By the end of this year 11 turbines will be in operation, with an installed capacity of 1,465 Mw. All 21 turbines are expected to be running by the end of 1988, providing China with 2,715 Mw of generating power. The total project will have cost RMB 4.8bn Yuan (£882m), according to local officials.

It is sobering to realise that China, with installed capacity nationwide of 76,600 Mw in 1983, needs to build the equivalent of two Gezhoubas every year to meet the country's growing energy needs. Bubei province has clearly benefited from the construction of such a major power plant inside its boundaries — power shortages are uncommon, in sharp contrast with many parts of the country — but the project is designed to supply electricity to provinces right along the Yangtze, with power lines stretching 1,600 km to Shanghai.

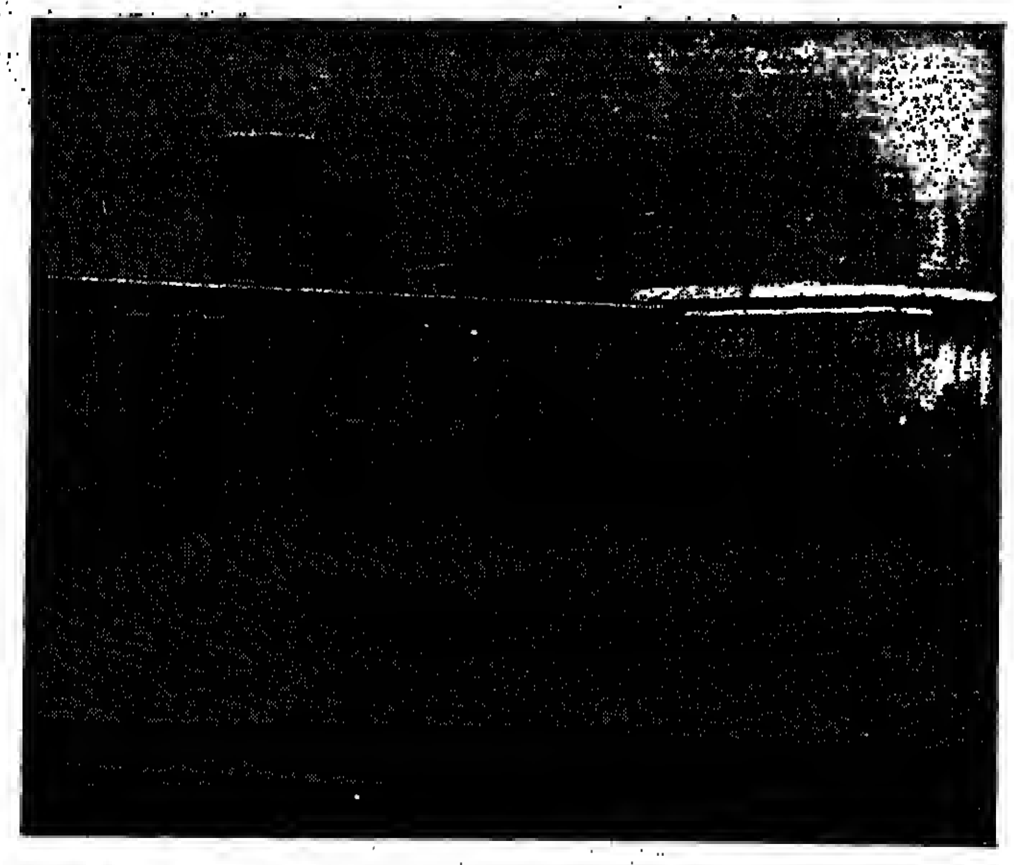
Even before it is complete, Chine's insatiable appetite for power has shifted attention to bigger projects tapping the immense force of the Yangtze. The controversial Sanxia, or Three Gorges, dam 40 km up-river from Yichang would provide more than 13,000 MW of generating power.

Outline plans exist for a further 12 hydropower plants on the Yangtze and its tributaries that could together provide 40,000 MW of power. Concern over the environmental impact of Sanxia—not least the fact that about one million people settled on fertile farming land would have to be re-settled—has persuaded Peking to spend a further two years studying the project.

Since the plant would have a 15-year gestation period ahead of commissioning, nothing can now materialise until well after the end of the century.

In the meanwhile, more modest projects like Gezhouba will have to suffice. In most countries, the likes of Gezhouba could be expected to satisfy energy needs for years to come. In China, it is part of a race against time.

**D. D.**



Cotton textile factory in Shashi, a textile city in Hubei.

Textiles

# Ramie proves a big dollar earner

TRAVELLING WEST from Wuhan to Shashi through the heart of the Jianghan plain, the cotton fields are in full flower in August—vivid evidence of the flourishing textile and garment businesses that make a critically important contribution to Hubei's manufacturing sector.

Nearly 440 textile mills, and as many more garment factories, are based across the province—with a large proportion of them around Shashi in the Jianghan plain (see separate article on Shashi). They used about 10 per cent of the province's 490,000 tonnes of raw cotton crop in 1985.

Between them, these mills produced 300,000 tonnes of cotton yarn, and about 1.13m metres of cotton cloth in 1985, improving output by virtually 20 per cent over 1984. A bare 6 per cent of yarn was exported, and 9 per cent of cloth, but these two products between them earned US$172m—about one-third of Hubei's total export earnings last year.

The province has also become the centre in China for production of ramie—a fibre crop rather like jute that until recently was grown in small quantities for the production of sacks and gunny bags.

New processing and finishing methods have transformed ramie into a valuable ingredient for textiles and garments, and have enabled quota-bound manufacturers in places like Hong Kong to boost exports without falling foul of increasingly vigilant customs officers in U.S. and European ports.

Production of ramie in 1985 was a modest 40,000 tonnes—a fraction of what could be produced. This still enabled the garments branch of the Hubei Import Export Corporation to export 1m dozen ramie-mixed garments in 1985—about one third of China'e total, earning US$6m.

About 9,000 tonnes of ramie-mixed yarn was exported—mainly to Hong Kong. Along with ramie piece cloth, this earned a further US$31m.

Well aware of moves in the US and Europe to bring ramie goods under quota restraint, Lin Yanping—known as "the king of ramie" in the Import Export Corporation—is pressing hard to boost fereign sales: "Now is the rush time," he said, "We have to boost exports rapidly, before the US tries to impose limits at the beginning of 1988."

With garment producers in Hong Kong, Korea and Taiwan recently coming under quota restraint—and therefore unlikely to be eble to boost purchases of ramie cloth and yarn on any significant scale—Lin plans to divert the rising output inte local garment factories.

Export prospects eppear good. One US garment importer alone this year accounted for about two thirds of the province's ramie garment exports. Efforts to boost exports will also ne doubt be the greater for e recently-introduced bonus systam for the import-export Corporation'a saleamen which can double their monthly salaries.

While a large number of the province's textile mills date back 30 years, serious efferts are being made to improve technology: "We are not just trying to modernise to meet overseas demand and standards," said Wen Xinwang, manager of the garments branch, "We are trying to modernise the whole industry—whether it is producing for the domestic market or exporting. We have to lay the right feundation."

Advanced equipment worth US$10m was imported last year and in 1984 for use in 23 factories, and a further US$10m is slated to be spent this year. Managers from Hong Kong are also on contract te a number of factories in the province.

A total of nine joint venture textile or garment factories have been set up—all but one of them with Hong Kong partners. The most prominent, Sky Dragon Knitters in Puqi, has installed US$5m of modern knitting machinery, and is supplying the Hong Kong based Esquel group—which has 19 garment facteries worldwide.

The industry still has striking weaknesses. Almost all cotten cleth is produced from the shorter fibres (around 27 mm) that can be grown in Hubei. Long fibre cotton is in very short supply, and et present is grown only in Xinjiang province. Manufacturers wanting cloth or yarn made from long fibre cotteu have to request it specially, will have to pay a substantial premium, and can expect production delays.

It is also striking that Hubei's ramie garments cannot be made from cloth brought straight from Chinese mills. All of Hubei's ramie cloth is exported to Hong Kong dyeing and finishing mills which have the techniques needed to transform ramie into an acceptable fashion material. After paying e processing fee, Hubei's garments branch must then reimport the cloth it needs for manufacture of its own ramie garments.

Investments in the modernisatien of Hubei's textile industry may appear modest by international standards, and the equipment in use in most factories is too often antiquated, but with such an immense domestie market—made np of increasingly fashion and quality-consciens buyers—it can only be a matter of time before provinces like Hubei emerge as major forces in the world's textile and garment sectors.

It is sobering to discover that there are eight provinces in China that prodnce more textiles than Hubei.

**David Dodwell**

Agriculture

# Strong base for aquaculture

YOU CANNOT be long in Hubei before someone tells you it is "a province of fish and rice." The description may sound like a cliché, but there is no doubting its accuracy.

Fed by the Yangtze river, its rich red alluvial soil is among the most fertile in China. The Jianghan plain around Shashi is not only one of China's main rice-growing areas, but a cotton-growing region of considerable importance to the economy.

An ebundance of lakes (the Chinese will also eagerly tell you Hubei is "a province of a thousand lakes") in the south of the province—some, like Hong Hu, more like inland seas rather than lakes—also make the province an important base for aquaculture.

The lakes also serve as a chilling reminder of the floods that have through history wrought such damage along the banks of the Yangtze. Officials now claim that the threat of flood has receded, with huge dams like Gezlouba controlling flood-water flows as well as providing much needed hydro-electrie power.

Ironically, the threat of drought was more urgent early this year, despite extensive irrigation schemes in large parts of the province. After a period of heavy diversion of electricity from industry and from urban areas between March and June, disaster appears to have been averted.

Early rice crops will be smaller than usual, but after good rains early in July, officials claim that most lost ground will be made up by better than usual harvests of middle and late season rice. Cotton output may also he slightly down, but officials insist this will he marginal.

Grain output in 1985—most of it rice—amounted to 22.15m tonnes, about 2 per cent lower than the 1984 total. This made Hubei the sixth most important grain producer in China, accounting for about 6 per cent of national output.

Officials make light of the apparently confusing signals from Peking late last year about boosting grain output. They concede that the threat of starvation no longer exists, and that storehouses are full to bursting after three good years of harvests—both factors which would suggest a cutback in production was called for—but at the same time argue that per capita consumption of grain in China is still low by international standards, and that the correct policy would be to improve storage facilities rather than cut back production.

The commitment in Hubei appears to be to increase output—the target is 25m tonnes by 1990—by increasing productivity while at the same time making more farm land available for production of important cash crops like jute, ramie, and vegetable oils.

Cotton output has slipped back for similar reasons. Last year's crops amounted to 492,000 tonnes, almost 19 per cent below 1984, but still accounting for over 11 per cent of national production. The emphasis is now on improving the quality of local cotton rather than raising the volume of output.

The output of cash crops surged in 1985 as farmers responded to these more flexible policies. The output of jute and similar fibre crops more than doubled, while the ramie crop—which was negligible in 1982—rose to 20,000 tonnes. This makes Hubei the most important base in the world for production of this increasingly important ingredient in textiles and garments.

Hubei is China's third most important source of aquatic products. These range from the famous Wuchang end mandarin fish, to eels and freshwater crabs. Output last year amounted to 375,000 tonnes, about 30 per cent up on the 1984 total. Rapid increases in output can be expected in future, since intensive fish farming is only an an embryonic stage.

A number of experimental "enclosed lakes" set up recently have managed to produce 750 kilos per hectare—about six times the output of normal fishpounds.

World Bank and United Nations funds are being used to improve fish breeding techniques, and to set up plants making fish foods. Officials say they need 2bn rmb yuan (£361m) over the next five years to meet output targets, but confess that they may have to be satisfied with less.

The province is important fer animal husbandry, with 13.9m pigs slaughtered in 1985, and e number of industries established to process meat products. Ducks reared on the lakes are the basis of e significant industry making down products, while chicken rearing makes it a major export base for fresh eggs—mainly to Hong Kong.

In fact, Hong Kong is e substantial export market for Hubei's farm products, accounting for 60 per cent of last year'e US$70m in export earnings from farm products. Over 320,000 live pigs were exported by train te Heng Kong last year—a total bettered only by Guangdeng—along with about 180m fresh eggs (20 per cent of the eggs beaten in Heng Kong), and 2,500 tonnes of fish.

It is little known that the famous Shanghai hairy crab—a delicacy in many Heng Kong restaurants through the autumn months—in fact comes from Hubei. About 120 tonnes are air freighted to Heng Kong via Canton every year.

As officials learn mere abont the edvantages of manufacturing processed farm products, so efferts bave begun to be focused on setting up meat processing factories, canning and drinks plants and other food industries. Chip processing equipment has been bought by one provincial corporatien, for example, while discussions are in progress on e possible joint venture with the PIG Improvement company of the US.

In years to come, it is unlikely that Chinese people will forget Hubei's heritage as a "province of fish and rice"—but as its farmers diversify into a wide range of more profitable cash crops, so the cliche is likely to become less and less accurate.

**David Dodwell**

Ramie, the Chinese nettle plant fibre, being processed at a textile factory in Huangshi

## Business Guide

WUHAN IS actually three cities which streddle the confluence ef the Han and Yangtze Rivers about 1,000 km upriver from Shanghai. Wuchang, which means "prosperous military" sits en the east benk of the Yangtze, and is today Wuhan's cultural and academic heart.

It is the base for most of the city's universities and colleges, and at the same time is home for Hubei's provincial government—which perhaps sensibly tries net te step en the toes of Wuhan municipal government efficials, based in Hankou.

Hanyang, on the south bank bank of the Han River (its name literally means "the sunny side of the Han"), is linked to Wuchang by the road and rail bridge that makes Wuhan a critically important eemmunications eentre between North and South China. Hanyang is the least important of Wuhan's three cities, but will often be erossed on journeys between Wuchang and Hankou.

Hankeu, which means "meuth of the Han," is on the north bank of the Han River. After the second opium war, Peking was fereed to open Hankou up to the imperial powers as a treaty port. Today, Yenzhang Street is still called Hankeu's "Bund." Hankou is the most medern part of the city, where you will find most of Wuban's hetels, businesses, shepping districts and restaurants.

**GETTING TO WUHAN**

By air, CAAC operates daily flights from Peking and Canten, with regular eir links with Shanghai and other provincial cities in Central China. Efferts are being made to open up direct flights between Hong Kong and Wuhan, but nething seems likely to materialise before 1987.

If you have e mere leisurely itinerary, it is possible to travel from Hong Kong to Wuhan by train—a jeurney of ebout a day. The rail link to Peking takes about the same time.

Regular ferries ply tbe Yangtse River, west through the scenie three gorges to Chongqing and east to Nanjing and Shanghai. Many of these ferries are overnight, and quite comfortable, so they can provide an interesting and efficient alternative to inter-city travel by air. This is all the more the case if business takes you from Wuhan te majer Yangtze cities in Hubei like Yichang, Shashi or Huangshi.

**WHERE TO STAY IN WUHAN**

More often than not, a sponsoring organisation will make hotel arrangements for you. There are no hotels built te western standards in Wuhan, but if this is taken for granted then they are comfortable and clean by Chinese standards. Power failures are rare, sheets are changed daily, hot tap water eppears reliable and international telephone calls can be arranged comparatively swiftly. One should not assume that tap water is drinkable in Wuhan—drink the boiled water supplied in every room instead.

Ameng the main hotels are:

**Qingchuan Hotel:** Modern, with e wonderful view of the city. Poorly placed fer meetings in Hankou. Serves mediocre food, excellent coffee and ice-cream. Tel: 444361.

**Shengli Hotel:** Built by the British in the 1930s. Mnch more centrally placed. Amenities simple, but service good. Rooms spacious. Restaurant serves quite good Chinese food, and a large proportion of staff speak English. Tel: 22531.

Other hotels open to foreigners: Jianghan Hotel on Sbengli Street, Xuangong Hotel en Jianghan Road.

**EATING OUT IN WUHAN**

**Laotongcun:** Wuhan's most famous restaurant (Chairman Mao ate there) specialities include "doupi," a Chinese version of a Spanish omelette, chieken soup ("Jitang"), and meat dumplings ("Xiaolongbao"). Excellent banqueting faeilities on the third floor. Stylish waitresses, many speaking English. On Zhongshan Street.

**Wufangzhai:** Simpler, often sitting out on the pavement. Specialities include dumplings in soup ("Tangbao"). Also on Zhengshan Street.

**Xiaotaoyuan:** Walking distance from Wufangzhai. Specialises in roast meats and chicken seup ("Jitang").

**TRANSPORT IN WUHAN**

Don't expect fleets of taxis waiting at the botel door. Receptionists will book taxis. There are some taxis that cruise the streets, and there ere e number of taxi stations around Hankou, but if yen don't speak Cbinese it may be simpler to accept the cost of keeping a taxi with you between meetings. Traffic congestion can be beavy, so one sbeuld assume it will take 30 minutes to get from Hankou ever the bridge inte Wuebang.

**OFFICE HOURS**

Most companies will be at work by 8 am, but may bave begun lunch by 11.30, eod will almost certainly not be functioning after luneb until 2.30. Meetings can be difficult to fix beyond 6 pm, since mest botel dining rooms finish serving evening meals by 7.30.

**CLIMATE**

Wuhan is known as one of China's three "furnaces." During July end August, temperatures can hover around 40 degrees Celsius (104 deg F), with bigh bumidity making the air quite suffocating. Occasional sterms can bring the temperature dewn to e more comfertable 30 degrees Celsius. But even this means that light cotton clething is the most sensible. In winter, temperatures occasionally drop close to freezing, so you can safely wear whatever you would normally wear et the office at home.

**OTHER CITIES IN HUBEI:**

**Shashi:** A modern textile city five or six hours by road west of Wuhan. Best beteis: Zhanghua on Zhongshan Road and Jiangjin on Gongyuan Road.

**Yichang:** A substantial industrial centre three hours further west from Shashi, with Gezhouba dam in its western suburbs. Has e wide range of textile, chemical and light industries. Set in the "throat" of the famous three gorges, it is also becoming an important stopover for tourists. Best botels: Sanxia (Three Gorges) Hotel (Tel: 23438). Nanhu Hotel (Tel: 24033). Also Yiling and Taohualing Hotels.

**Huangshi:** The centre of Hubei's mining industries, three beurs east of Wuhan by road. Impertant for iron and steel, copper and e wide range of mineral extractien and textile industries. Uncharismatie city with no good botel. Get sponsoring organisation to arrange.

**Shiyan:** In Hubei's far north west, the city is dominated by the number twe motor vehicle plant, one of the largest in Chine. Nearby, Xiangfan eity is growing rapidly as the motor vebicle plant continues to expand.

**David Dodwell**

# UK COMPANY NEWS

## Cadbury Schweppes rises to £43m

**Cadbury Schweppes**, the confectionery and soft drinks group which recently added Canada Dry and Dr Pepper to its brand names, yesterday announced that its profits for the 24 weeks to June 14 had risen to £43.1m pre-tax, an improvement of 28 per cent over last times £33.8m.

Market analysts had been looking for profits in the region of £40m.

The directors, headed by Sir Adrian Cadbury, the chairman said satisfactory trading results around the world and significant strategic developments had been the highlights of the group's progress this year.

They added that following the acquisition of Canada Dry and the investment in Dr Pepper, Cadbury Schweppes bad achieved one of its key objectives — international leadership in the non-cola carbonated soft drinks market.

In a statement following the interim results Sir Adrian said: "We are looking at a very different company than the one which produced the last set of half way figures."

Mr Dominic Cadbury, chief executive, said the group had "expanded in areas of strength and divested itself of businesses which strategically held no edvantage."

The directors were confident that the progress made in the first six months would be continued throughout the year.

Group sales for the opening 24 weeks declined from £847.2m to £787.3m. Trading profits


Sir Adrian Cadbury, the chairman of Cadbury Schweppes.

improved by £4.3m to £48.7m and trading margins rose from 5.2 per cent to 6.2 per cent.

Interest payable less investment income was reduced from £14.5m to £8.7m.

After tax of £15.5m (£13.4m) and minorities, profits worked through at £24.3m, compared with a previous £17.1m.

There were extraordinary credits this time of £23m, made up as to £25m profit from business disposals less rationalisation costs of £2m.

Earnings improved to 4.68p (3.39p) on a net basis and the interim dividend is being lifted from 1.6p to 1.8p net per 25p share.

Comparisons with 1985 were affected by acquisitions, disposals and exchange movements, the sum of which redneced pre-tax profits by some £2m.

The results excluded the health and hygiene division, now sold, but included the UK beverages and foods figures up to May when that division was disposed of.

Trading profits earned in the UK were np from £23.7m to £25m and both Cadbury Ltd and Schweppes Ltd raised their trading margins. Trading profits in the rest of Europe were 31 per cent ahead of last year, with notably good results from Schweppes in Spain.

The North American businesses responded well to the changes introduced over the past year. Interim profits were in line with plan. Sir Adrian expected the full year to reflect the benefits of volume and ehare gains being achieved by more effective consumer marketing, tighter management control and redneced operating assets.

The Australian company kept np its growth record and was now managing the New Zealand business which it acquired in May.

Sir Adrian said the group's financial position had been strengthened by the sale of two UK divisions for £114m and by a lower level of capital expenditure. This, combined with lower interest rates and the weaker dollar, was reflected in reduced interest charges.

Sir Adrian said the acquisition of Canada Dry at e net cost of $140m (£93m at current rates) doubled the size of the group's international soft drinks business.

He added that the eequisition for $17.5m (£11.7m) of a 30 per cent share in Dr Pepper gave Cadbury Schweppes a strategic stake in a unique brand with significant market share strength in the south west and eouth east United States and in tha more rapidly growing chanels of soft drinks distribution, such as vending and fast food.

Sales and trading profits by geographical region for the half year show: UK £851.9m (£421.1m) and £25m (£23.7m). Europe £131.9m (£111.2m) and 7.6m (£5.8m), North America 148.9m (£157.5m) and £0.8m (loss £1.8m), Australia £109.6m (£108.2m) and £11.7m (£11.2m) and other overseas £45m (£49.2m) and £3.6m (£5.5m).

Group pre-tax profits for the 1985 year fell from £124m to £93.3m. Losses in North America and e stronger pound were blamed for most nf the shortfall.

● **Cadbury Schweppes (South Africa)**, a 64 per cent-owned subsidiary, suffered poor consumer demand and intense competition and for tho six months pre-tax profits fell from R2.81m to R1.82m (£490,000). Turnover amounted to R58.7m (R54.3m). The interim dividend is held at 15 cents.

See Lex

## Bunzl goes on takeover trail with £191m call

By Terry Povey

**Bunzl**, has announced plans to raise £191m after expenses through a one-for-three rights issue priced at 195p, a 40p discount to Wednesday's closing price.

The rapidly growing packaging, paper merchanting, and transport services group has also reported interim pre-tax profits 43 per cent ahead at £27.1m. Last night the shares closed down 12p at 223p.

Since February 1985, when Bunzl raised £55m for its takeover warchest, the group has acquired 24 companies at a total cost of £221m, of which just over half was met by the issue of shares. Pre-tax profits have increased over the last five years from £11.6m to £42.7m in 1985.

Mr James White, managing director, said yesterday that Bunzl "was very much still on the takeover trail and there were additions that could be made to each of the main divisions of the group." However, "We have no intention of using the proceeds of this issue in one big blast," said Mr White.

The only large takeover attempted by Bunzl was its unsuccessful £135m bid for Brammer in June 1985. This was also the only contested bid among the 25 firm approaches made in the last 18 months. Speculation that Bunzl might try again for electronic and mechanical components distributor Brammer was "unfounded," retorted Mr White.

As a result of the rapid rate of making acquisitions, Bunzl is presently some 80 per cent geared with net debts of £100m. According to Mr White much of this debt is now in medium-term US dollar loans at interest rates as low as "6 or 7 per cent."

"It is therefore not our intention to use much of the rights proceeds to retire debt," said Mr White. With 58 per cent of profits UK based, Bunzl is very keen to expand in the US—especially to complete its coast to coast distribution network in the Western States.

In the six months to June, Bunzl made pre-tax profits of £27.11m (£19.02m) on a turnover of £470m (£406m). After taxes and minorities profits attributable to shareholders were £15.87m (£5.95m) and earnings per share 5.4p against 4.5p (adjusted for the scrip issue). An interim dividend of 1.75p (1.42p) is being paid.

In a letter to shareholders, Bunzl has said that 1986 is progressing successfully and has forecast paying a final dividend of not less than 2.25p a share, making at least 4p for tho year compared with 3.44p in 1985.

The rights, which has been underwritten by S. G. Warburg, involves the issue of 161.2m shares.

## Babcock up £1m despite high interest charges

PROGRESS CONTINUED for Babcock International in the first half of 1986, with pre-tax profits up by nearly £1m to £16.03m, despite substantially higher interest charges partly as a result of financing acquisitions.

Lord King, chairman, pointed out that there would be no repeat this year of the suspension of pension fund contributions which added £6m to profits in 1985 The general inmprovement in profitability, however, would compensate for that difference and the directors expected continued progress in the second half.

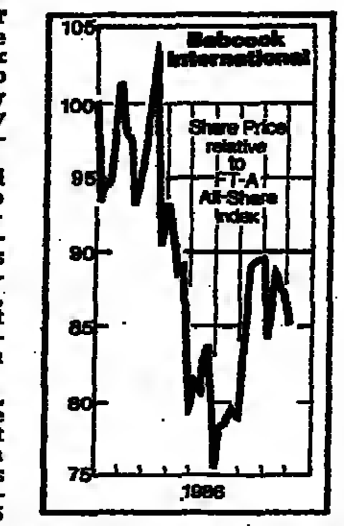
Turnover rose 5.6 per cent, from £541m to £571.8m, while the increase in pre-tax profit was 6.6 per cent. Measured in terms of constant exchange rates for the foreign currency elements both items were some 15 per cent up on 1985.

Similarly measured, the trading profit showed an advance of 45 per cent, although the actual increase was 29 per cent to £18.4m, after charging £2.3m (£1.7m) for redundancy and reorganisation costs. Interest costs were £5.05m (£1.47m).

The improvement in trading profit, said Lord King, was fairly general throughont the group and represented a return for the concentrated and continuing efforts to cut costs and increase efficiency.

Despite the need for further rationalisation of the UK power group, because of the lack of orders for steam generating plant, the profits of that section were marginally better than in each of the two previous half years.

Progress was sustained in the engineering sector. Activity



was higher than last time and profitability generally improved. Tho North American group remained the major sources of profit and, even after the adverso exchange rate movement, it again substantially increased its contribution.

In the contracting group, losses suffered by Babcock Moxey on contracts for the installation of newly developed equipment were more than offset by relatively better results in Babcock Woodall-Duckham, Ames Crosta Babcock and Spaans Babcock.

The mining equipment businesses and, in particular, Huwood, remained the weakest area of the group's UK activities but considerable progress had been made towards eliminating losses in those operations by the end of the year.

Turnover and trading profits of the North American group, measured in dollar terms, increased almost 18 per cent and 30 per cent respectively. This reflected the inclusion of a full 6 months' trading results for the Faultless Caster Corporation acquired on May 31 and a high work load at better margins in the systems division of the material handling group.

The process control group continued to operate profitably. The products division of the material handling group should also move into profit again before the end of the year.

Weakening markets for chain and forged products forced the North American chain business into loss. Profitability in automotive components was under pressure, despite an increase in sales, reflecting the introduction by auto manufacturers of more stringent conditions.

Sales and profits of decorative hardware improved as demand for furniture responded to the increase in new housing starts in the US.

FATA European Group and the Froude companies havo also been booked new orders of high value and had good profitable workloads to carry them through this year.

In the balf year the associates contributed £2.55m (£2.1m). After tax £5.9m (£5.8m) and minorities £114,000 (£75,000) earnings came out to 7.5p (6.8p) per share. The net interim dividend is in effect lifted from 3.64p to 4p.

The Rainbow Corporation of New Zealand, which had recently built up a 4.5 per cent stake in Babcock—at a cost of about £12.5m—is insisting that the stake is e long term investment.

See Lex

## High demand pushes up R & H Hall

**R & H Hall**, tho Cork-based grain merchant, bad an exceptional half year and was looking for a significant improvement over 1986 as a whole.

In tho half year turnover rose from I£69.3m to I£94.4m (sterling £86m) and pre-tax profit from I£1.03m to I£1.67m (sterling £1.52m). F M

There was a considerable increase in the requirements for imported cererials and proteins by the compound feeding stuffs industry, and Hall maintained its market share of that large amount of business as witnessed by the 36 per cent lift in turnover.

However, the volume increase was nearer to 50 per cent, the directors claim, reflecting some reduction in commodity prices.

Since the turn of the half year the company had traded well with a somewhat higher volume than usual.

In the first half trading profit came to £1.27m (£502,000) and associates to £400,000 (£523,000). After tax £910,000 (£560,00) and minorities £48,000 (£3,000) earnings were 4.33p (2.84m). The interim dividend is again 1p net.

## Petranol profits tumble midway

BY TERRY POVEY

**Petranol**, the small UK oil and gas operating company which has most of its production in the US, has announced profits after tax of £6,148 for the six months to June, 1986 — sharply down on the previous £2.31m.

Dr Norman White, chairman, said that the result was "satisfactory given tho lower oil and gas prices and adverse exchange rate movements."

Petranol has also arranged for tho rescheduling of its £11m hank debt into a six-year loan on which interest only needs to be paid until 1988. "This will remove considerable uncertainties about the company's ability to survive at low prices and enables management to plan for future long-term growth with greater certainty," said Dr White.

The chairman stressed that Petranol had acted vigoronsly to prune costs but said that nevertheless the board has decided to pass the interim dividend. "The payment of any final dividend is dependent upon a further oil price recovery," said Dr White in a statement. Last year Petranol paid a total dividend of 1.5p. The company came to tho market in 1984 via an offer for sale priced at 125p a share.

During the six months in June the average price per barrel on Petranol's 909,500 barrels a day oil production, up 58 per cent, was $16.36 compared with $27 in the previus year. Gas prices were down less sharply, by 29 per cent to $2.3 per 1m cubic feet, but sales volumes were marginally lower at 2.7m cubic feet per day.

Turnover for the period was £3.15m, down from £4.46m in the previous opening half. Profits after operating costs, production taxes and depletions and depreciation were £1.85m (£1.94m).

Since the sharp fall in oil prices earlier this year, Petranol has been reducing overbeads and has moved its London head office from the city centre to the suburbs. Although administrative costs actually rose in the period to £833,687 (£649,244) included was a once off £150,000 incurred as part of the staff cutbacks.

After net interest paid of £391,000 (£344,000), operating profits were narrowly over the break even mark at £94,000. However, an exceptional item of £87,900—being the costs of defending tho company from Inoco's bostilo £21m bid in May—reduced pre-tax profits to £6,148 (£2,31m).

### ● comment

US oil and gas prices havo beld a bit firmer than those in the North Sea and Petranol has mainly this to thank for being on the right side of breaking even this time. As overhead costs per barrel have been reduced to $8.25 at tho US subsidiary the company's ability to survive seems beyond doubt. This has been underlined by the decision of the gronp's bankers (Bank of Montreal, Royal Bank of Scotland and First State Bank of Texas) to choose rescheduling rather than allow the prospect of foreclosure. Acquisitions are likely to be in North America and under the circumstances would have to be for paper rather than cash. Given the likelihood of an earnings dearth for some time to come at least there won't be any arguments about dilution. This year £200,000 net is possible at $15 average for tho second half.

## Linread slightly ahead of forecast with £0.35m

**Linread**, manufacturer of cold forged fasteners, increased its pre-tax profits by just £6,000 to £351,000 in the first six months of 1986. At tho AGM the directors warned that the half year would show a shortfall.

The group entered the second six months with an overall order book slightly better than at the beginning of the year.

In the light of the first half performance and the continuing progress being made the interim dividend is being held at 1p net per 25p share. Subject to no major change in the outlook, a final at least equal to last year's 1.5p would be paid.

Improved profits reflected a continued strong market for aerospace fasteners and further expansion of the aircraft products division.

The markets in which the group's other divisions operate were more difficult—both the automotive and domestic appliance sectors showed declines. As a result, and despite improving its market share, the commercial products division's performance slipped back.

Action had continned to sharpen the selling effort and trim overhead costs. This was accompanied by the appointment of e new managing director in July.

Weak market conditions affected Lintite Systems, where sales were some 5 per cent lower than in the first half of last year. Profit levels, however, remained satisfactory.

Lintool achieved the same level of profit as last year despite experiencing lower demand for its tooling. The directors said the management structure of the division had been reorganised and improved control systems implemented, which should lead to increased business in the future.

The benefits of the strengthening of the sales activity at Sileby Engineering were beginning to be seen with turnover significantly ahead of the same period last year.

## Profits halved to £0.53m at IFICO

**Industrial Finance and Investment Corporation** (IFICO), financial services group currently undorgoing a major reorganisation, has reported pre-tax profits halved from £1.05m to £528,000 for the year ended June 30 1986. And the dividend is cut from 3.5p to 1.5p with e reduced final payment of 0.5p against 2.5p.

Mr Terry Ramsden's group Glen International recently took a 10.83 per cent holding in IFICO, "purely as an investment."

The group's purchase of FMW, a commercial insurance broker, for an initial £4.25m in shares, would be placed with APA, an Australian life assurance and financial services group.

APA would have 40.7 per cent of IFICO following the FMW purchase which could rise to a maximum of 50.6 per cent depending on bow many of IFICO's proposed rights issue shares it was called upon to take up

IFICO plans to raise about £2m by a one-for-five rights underwritten by APA. IFICO is to issue 2.78m shares at 75p

After tax of £230,000 (£389,000) earnings per share are given as 3.7p (14.7p). Minority interests accounted for £2,000 (£5,000) and there were extraordinary debits of £1.41m (nil) which included a £1.65m provision against remaining investments of East of Scotland Onshore.

## Derek Bryant well down

THE FIRST six months of 1986 proved disappointing for the Derek Bryant Group, USM Lloyd's insurance broker, and the directors said yesterday that they felt it prudent to defer payment of an interim dividend until the extent of the expected improvement in the second half was known.

Pre-tax profits for the opening half fell from £726,000 to £96,000. Brokerage dropped by £471,000 to £1.48m.

The directors still intend to broaden the base of the company's operations and diminish dependence on any one account or sector of the business.

They said they were particularly anxious to increase its representstion in this country and active preliminary discussions were taking plece with a view to acquiring two well-established and high quality UK broking businesses as a sound base to build upon.

The company paid an interim of 2.7p net last year and a final of 5.4p from pre-tax profits of £1.44m (£1.43m).

### DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Babcock ...............int | 4 | Oct 13 | 3.64* | — | 7.64* |
| Derek Bryant .........int | ‡nil | — | 2.7 | — | 8.1 |
| Bunzl ...............int | 1.75 | Nov 3 | 1.42* | — | 3.34* |
| Cadbury Schweppes int | 1.8 | Oct 27 | 1.6 | — | 5.9 |
| William Collins ...int | 2.6 | Oct 15 | 2.38* | — | 7.75* |
| Cookson Group ......int | 2.75 | Nov 28 | 2.4 | — | 7.75 |
| Derek Crouch ......int | 2.02 | Oct 31 | 1.79 | — | 5.93 |
| Edenderry Shoes ...... | **2 | — | 3 | 4 | 5 |
| R. & H. Hall ......int | **1 | Sept 19 | 1 | — | 4 |
| IFICO ................ | 0.5 | Nov 20 | 2.5 | 1.5 | 3.5 |
| Kleinwort Smaller int | 3.05 | — | 2.88 | — | 8.25 |
| Linread ...............int | 1 | Oct 21 | 1 | — | 2.5 |
| Magnolia ............int | 1.25 | — | 0.75 | — | 3.35 |
| Nev Cavendish Est ... | 1.2 | — | 1.2 | 1.2 | 1.2 |
| Owen & Robinson ...... | 5 | — | 5 | 10 | 10 |
| P. & W. Maclellan ...int | 0.7 | — | 0.7 | — | 1.9 |
| Pentos ...............int | †0.22 | Oct 16 | 0.18 | — | 0.7 |
| Portals ...............int | 2.75 | Dec 31 | 2.5* | — | 7.33* |
| SPP ...................int | 1.75 | — | — | — | 2 |
| Tor Inv Tst ........... | ¶10.3 | — | 9.63 | 15.2 | 13.83 |
| Tor Inv Tst ........... | ‖1.52 | — | 1.38 | 1.52 | 1.38 |

Dividends shown in pence per share except whore otherwise stated. * Equivalent after allowing for scrip issuo. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Per income share. ‖ Per capital share. ** Irish currency.

# UK COMPANY NEWS

## Sound Diffusion £1.35m ahead after six months

**Sound Diffusion**, an electrical equipment leasing company, made strong progress over the opening six months and at the pre-tax level lifted its profits by £1.35m.

In their interim report yesterday the directors said new business intake was continuing at a satisfactory level.

The first six months (to June 30 1986) saw turnover edge ahead from an odjusted £19.11m to £19.47m and profits improved from £2.68m to £4.03m.

Earnings worked through at 2.89p, up from 1.93p, per 5p share. As in previous years there is no interim dividend—a single 0.5008p was paid for the 1985 year from pre-tax, profits of £5.83m (£4.73m).

Last July, along with the group's preliminary results for the 1985 year, Mr Paul Stonor, Sound Diffusion's chairman, said that trading in 1986 was progressing well and that the directors were hoping to report full year profits in the region of £10m on the new accounting basis.

**● comment**

Sound Diffusion now appears to be catching up with itself—a long delayed set of full year figures has been followed by a far more prompt delivery of the interim numbers. However, past experience may have led to the decision to keep the statement accompanying these figures down to 42 words. The glimpse it gives of Sound Diffusion's performance suggests that the company is standing still. Before the write-offs and provisions ordered hy the auditors last year, the pre-tax total stood at £9.7m. This interim figure is very much in line with, it could even be somewhot lower, than that of the same period last year which was blighted by £3m of one-off charges. The shares havo risen back obove penny stock status and closed down 1p at 41½p.

## Wm Collins expands by 8%

WILLIAM COLLINS, the book publisher, increased its sales by 13.9 per cent and its pre-tax profit by 8 per cent in the first half of 1986. Conditions were difficult in the UK, Mr Ian Chapman, the chairman, reported.

Sales came to £62.95m against £55.28m, but excluding acquisition and currency adjustments the percentage rise was 11.5. The profit was £5.12m, compared with £4.73m.

Mr Chapman said the group had done well to lift sales in the UK, helped by contributions from Claude Gill and Hunkydory Designs which were acquired in January. He thought Australia had performed particularly well in spite of the continued weakness of its economy.

Difficult market conditions in tho UK and weakness of the Australian currency would have some impact on the year's figures, but be remained confident that a further advance would be achieved. In 1985, the group made £13m pre-tax.

Operating profit for the first half moved up from £5.73m to £6.29m, but was subject to inlerest charges of £1.55m (£1m).

After tax £1.67m (same) earnings came out at 10p (8.9p) and the interim dividend is stepped up to 2.6p net (2.375p adjusted).

**● comment**

William Collins, like almost every other book publisher, has bsd a lack-lustre first half. Sales of books to consumers have been as strong as ever. Bnt tho problem of retail over-stocking last Christmas—prompting a refusal to restock in the early part of the year—has been compounded by the dawn of computerisation in tho book trade which has made retailers, temporarily, more efficient and therefore more economical in their re-ordering. None the less Collins mustcred respectable growth, belped, no doubt, by its recent investment in improving production efficiency. The company claims to have seen a discernible improvement in demand in the opening months of the second half and, thanks to its Mills and Boon order, production will flow et full capacity for the rest of the year. The problems in Australia, which have plagued the company for the last two years, have finally been resolved and Collins is now taking its first tentative steps into the US. With profits of £15m in prospect for the full year, the prospective p/e of 10, on yesterday's non-voting share price of 303p, is st a discount to tho sector. Undeservedly so.

## Hanson Trust in Courage shake-up

BY LIONEL BARBER

**Hanson Trust**, which this year successfully hid £2.8bn for **Imperial Group**, is ruthlessly cutting costs st Imperial's brewing subsidiary, Courage, in e move whicb analysts interpret as preparing Courage for sale.

According to one stock market analyst who has regular dealings with Courage, Hanson has cbopped whole leyers of middle management in areas such as marketing, tax and public relations. The analyst estimaled thal at least 50 senlor Courage managers had left since it assumed control of Imperial in April.

Hanson refused to comment on market speculation obout on imminent sale. Two buyers said to be interested are Elders IXL, the Australian company, and the big US brewer, Anheuser Buscb, which makes Budweiser.

Mr Martin Taylor, a Hanson director, also declined to confirm or deny that it was seeking a price of around £1.3bn. Lord Hanson, chairman, has, however, conceded publicly that he might sell Courege if he could get "tomorrow's price today."

Mr Taylor *said he* was unaware of the management upheaval at Courage, but he said thot staff at Imperial's headquarters hod been cut from 100 to between 10 and 15 people. "There have been changes at Imperial. We always make changes in companies we acquire," said Mr Taylor.

Market analysts have been watcbing closely to see if Elders will move for Courage insteod of its earlier target, Allied-Lyons. On Wednesdey, Elders was given the go-ahead by the Monopolies Commission to renew its bid for Allied. An earlier £1.8bn bid lapsed during the Monopolies Commission investigation.

Elders is thought to be staying its band until it knows wbether Allied can resch an ogreement with Olympia & York, the Canodian reol estate company, on the disposal of Hiram Walker Resources' liquor business. Olympio, which controls Gulf Canodo, owners of Hiram Walker, has been fighting for control of Hiram's liquor arm through the Canadian courts.

Allied is confidenl thet it can strike a deal with Olympia shortly whereby it would huy a majority stake in Hiram for oround £600m. A deal could be signed today, though the two sides were still negotiating in Canado yesterday.

Mr Jobn Elliott, Elders chairman, said on Wednesdoy that he would not be deterred from bidding for Allied if it bought Hiram. His intention would he to scll the liquor division hack to Olympio.

Top Hiram officials resign, Page 25

## SPP buys Henry Sykes for £4.2m

By David Goodhart

SPP, pump manufacturer, yesterday unveiled slightly reduced interim pre-tax profits for 1986 but also announced the proposed acquisition of Henry Sykes, a market leader in the hire of specialist packaged pumps, for £4.2m.

SPP said that the oil price fall continued to have an adverse eect on its oil-related ectivities and had led to an underutilisation of the manufacturing facilities in Reading.

The acquisition of Sykes will, according to SPP, reduce its exposure to oil economies and will enahle it to rationalise its manufacturing and eliminate underutilisation.

For the half year to June 28 1986 SPP's turnover rose from £14.3m to £17.7m over the same period in 1985, however pre-tax profits slipped from £1.2m in 1985 to £1.14m this year. Earning per share fell from 4.5p to 4.6p.

Alco Standard, the vendors of Sykes, will receive 3.5m new shares in SPP—which will represent just over 18 per cent of the new enlarged share capital. Most of the shares will be placed.

Sykes, which operates from 31 depots throughout the UK and serves about 2,000 customers achieved pre-tax profits of £144,000 on turnover of £21.79m in the year ending September 29 1985. Despite redundancies rationalisation over the past few years its manufacturing plant at Coleford continues to be under-used.

Following completion of the acquisition SPP proposes to relocate its manufacturing away from Reading and sell its 8.2 acre freehold site there. SPP shares were 137p unchanged.

## GRA changes its tactics for Slough redevelopment

BY WILLIAM COCHRANE

**GRA Group**, the greyhound racing organiser wblch said in June that lt was still seeking planning permission for proposed developments of stadie at Harringay, Slough, White City, Manchester, Northaw and Snowfield, said yesterday that it was switching its tactics for the Slough development.

The company said that lt had entered into a conditional agreement with the Co-operative Wholesale Society and a conditional deed with Crownco Properties, the CWS property arm, for the sale of the land and buildings et Slough Stadium for a total consideration of £7.5m.

In April, 1985, GRA announced the sale of the Slough stadium to Dee Corporation, tho fast growing supermarket group, for £11m. The deal was conditional on planning consent being given for the development of a superstore.

Yesterday GRA, which has its offices at Slough, said that it had been advised thet by tho substitution of CWS for Dee on the existing applications, tho company would have a significantly better chance of success in the immediate future.

Mr Alec Monk, Dee Corporation's chairman and chief executive, was not available for comment on the situation last night.

GRA said that if planning consent for the proposed redevelopment can be obtained, the board consider that the price is such that the retention of Slough Stadium for greybound racing cannot be justified.

It would be the intention of the GRA directors to invest the greater part of the proceeds in the group's existing business, they said, particularly in the modernisation and improvement of the remaining stadia, and in leisure activities et those stadia and elsewhere.

## Bryson cash injection

**Bryson Oil and Gas**, the company engaged in oil and gas exploration in the US, is receiving an injection of cash through o private subscription of moro than 2m shares which will bring in o total of £840,000.

Bryson has agreed tbo issue of 1.1m new ordinary 10p shares at the price of 40p each to Mr Delo H. Caspary and the issue of a further 1m new shares at the same time to Charterhouse Investment Management. Mr Caspary will join the Bryson board.

## Hillsdown buys animal feeds

**Hillsdown Holdings**, the fast-expanding food and furnishing manufacturer, is buying a 51 per cent majority stake in **Inghams Stockfeeders**, animal feed manufacturer, in a cash and shares deal worth £408,000.

The remaining 49 per cent of Inghams will be bought in equal tranches over five years based on a payment of three times pre-tax profits from December 1991. Inghams net asset value last April was £447,747.

The deal is Hillsdown's third in the last nine days. Last weck it announced an agreed £62m bid for Meadow Farm Produce and two days ago reported a 45 per cent rise in interim pre-tax profits to £19.6m.

## COMPANY NEWS IN BRIEF

**P. & W. MACLELLAN** lifted turnover to £5.84m (£5.36m) but pre-tax profit fell to £188,000 (£258,000) in half year ended June 30 1986. Earnings 2p (2.4p) and interim dividend again 0.7p. Computer systems trading profit down to £3,000 (£64,000) as division incurred considereble extra costs with move to Croxley. Agriculturs1 and industrial supplies profit £189,000 (£171,000) and property £75,000 (£85,000)—but major sale sbould improve latter in second half.

**LADBROKE GROUP** — Sir Kenneth Cork, s non-executive director, bas sold 432,000 ordinary shares out of his non-beneficial interest. The beneficial owners of the shares are members of the Mark Stein Trust — mainly descendants of the founder of Ladbroke. The Trust continues to hold about 3m shares in the company.

**GROVEBELL Group**, the fast-growing trade finance, motor dealing and medical equipment company, has had its listing temporarily suspended "pend*ing clarification of is financial* position." It recently announced e 39 per cent drop in pre-tax profit for 1985.

**EVERED Holdings**, the manufacturing conglomerate which recently sold its stake in the TI Group for s profit of £8m, has announced the acquisition of the rubber business of Lucas Electrical for £650,000 in cash.

**NEW CAVENDISH Estates** is holding its dividend at 1.2p net for the year ended June 30 1986. Turnover rose to £1.74m (£860,000) and profit £184,000 (£99,000). Tax takes £44,000 (£9,000) ond extraordinary dehlt £188,000 (credit £263,000). Earnings 2.12p (2.59p).

**TALBEX GROUP** has exchanged contracts for the disposal of Castle Rubber, e wholly owned subsidiary engaged in the manufacture of rubber mouldings, primarily for the antomotive industry. Assets of Castle Rubber at July 31 1986 were £2,000 and its trading loss for the year to end July £10,297. Consideration is £1 and the repayment of £181,880 of intragronp debt.

**EDENDERRY SHOES**, investment holding company, improved pre-tax profits to I£142,286 (£129,587) for the year to June 1986, against I£140,684, on turnover of £4.34m (£3.69m). After tax of £49,993 (£46,479) cernings per share emerged down from 3.14p to 3.08p. The final dividend is cut to 2p (3p) for a lower 4p (5p) total.

# UK COMPANY NEWS

# Cookson rises to £43m and further growth ahead

DURING the first six months of 1986 the Cookson Group continued the progress it had achieved in recent years.

Sales pushed ahead from £451.2m to £458.3m and at the pre-tax level profits showed an improvement of £6.4m at £43m — the group manufactures specialist materials for use in industry.

The sales figures were affected by the relative weakness of some currencies, lower metal prices, acquisitions and disposals and movements between subsidiary and related companies.

The further improvement in profitability of the subsidiaries was mainly in tha Fry division and the ceramics and antimony sector.

The materials division experienced difficult trading condi tions and was odversely affected by continuing development expenditure but helped by a good contribution from the Horsell group.

In the US, although profits were not as good as in the first half of 1985, particularly as converted at a less favourable exchange rate, all operations showed a marked increasa over the second six months of that year.

Tioxide, the 50-50 joint venture with ICI, raised its pre-tax profits from £36.84m to £52.11m from a turnover of £242.89m, against a previous £221.56m. Demand continued strong for titanium dioxide.

Tioxide's fixed assets were being revalued as from January 1 and a provision ot £2m was incorporated as an extraordinary item in Cookson's figures in respect of the estimated higher depreciation which is likely to result.

Group pre-tax profits for the opening six months (comparisons were restated) took in a £29.6m (£25m) share of related companies. Interest charges were little changed at £10.4m (£10m).

Tax rose to £16m (£13.7m). Earnings worked through ot 19.4p (18.8p) from which an interim dividend of 2.75p (2.4p) net is being paid.

During the second half most of the UK and European businesses had continued to progress but the US economy was still unsettled and the Cookson companies were not seeing any material change in demand from the electronics industry.

The very strong performance by Tioxide being maintained."

The acquisition of a 50 per cent holding in the Vesuvius Crucible Company, with plants operating in Europe and the US, together with other recently announced acquisitions were expected to contribute to the cootinued growth of the group.

### • comment

A Cornish parson was the first to isolate the white oxide of titanium in tha early nineteenth century and Cookson must have muttered more than a few prayers of thanks to him in recent years as its 50 per cent stake in Tioxide has proved a money-spinner. Titanium dioxide is the pigment in most white paint and is one of the few chemicals suffering from undersupply. Once again, Tioxide contributed more than half Cookson's pre-tax profits and looks set to do so at the full year stage. In the rest of the group, the fall in commodity prices has allowed Cookson to sqoeeze higher margins out of most divisions. The exceptions are lead, where the company is engaged in secondary refining and is thus burt by a low primary price, and the US, where profits were hit by the slump in the electronics industry. For the full year, pre-tax profits look set to fall just short of the £90m mark leaving the shares, ot 510p up 20p, on prospective p/e of 12.5.

# Portals expands on papermaking and engineering growth

RESULTS for the first half of 1986 from Portals Holdings showed profits before tax ahead by 14.8 per cent to £10.45m and basic earnings up 21 per cent to 11.76p per share.

Mr Julian Sheffield, chairman, said that the broad pattern was expected to continue for the rest of the year.

The chairman said the figures maintained tha trend started in the first half of 1985, with papermaking and engineering divisions having a good order intake and the water treatment side suffering from o lack of major contracts. Property produced o good result mainly through some increased rents.

Group turnover for the half year came to £113.5m (£118.32m), after interdivisional sales and rents, and the trading profit to £10.32m (£9.75m). Fully diluted earnings were 10.78p (8.91p) and the interim dividend is raised to 2.75p (2.5p scrip adjusted).

The cash position had continued to improve, the chairman said.

In papermaking (sales £31.74m and profit £5.29m, against £36.53m and £4.61m) the two mills at Overton and Bathford were busy throughout, although tha exceptionally high demand of the latter part of 1985 eased to more normal levels.

New capital investment programme had improved productivity and margins also benefitted from stable raw material prices and energy costs.

Results from water treatment (sales £73.93m and profit £3.49m, compared with £75.15m and £4m) were affected by the timing of the placement of large contracts, the chairman pointed out.

The contracting companies continued to be hampered by the dearth of new drinking water schemes in the Third World and of industrial projects anywhere. But sales of water treatment chemicals and other products and services were expanding satisfactorily.

Engineering improved its sales from £6.62m to £7.7m and profit from £401,000 to £600,000, and was making a good return on assets employed. Bettar products, increased efficiency aod healthy market conditions contributed. There was scope for further improvement.

After tax £3.97m (£3.75m) the half year net profit worked through at £6.48m (£5.43m). The year's tax charge was put at close to 38 per cent as compared to the UK composite rate of 36.25 per cent and an actual 41.9 per cent for 1985.

### • comment

While not having a licence to print money, Portals does make the paper from which many of the world'a banknotes are made. After adding in its other "security paper" interests (travellers cheques, passports, bearer bonds), Portals is so important in the sector that tha Bank of England judge it prudent to maintain a 28 per cent stake. That must be ooe of the most effective defences against a takeover known to man. In the first half, security paper increased margins thonks to the sale of an uuprofitable mill but water traotment, Portals' other main activity, was hit hy the lack of municipal and industrial contracts. In the long term, Portals will probably seek to acquire a third leg, possibly via a major odd-on to its engineering division. An acquisition looks affordable whilst Portals is cash-positive and whilst its shares at 325p are on a prospective p/e of 13, assuming pre-tax profits of £25m.

# All-round growth at Pentos

A 22.5 per cent increase in trading profit and substantial savings in interest charges at Pentos pushed up the first half 1986 pre-tax profit from £441,000 to £831,000, or by 88 per cent.

Mr Tony Maher, chairman, pointed out that profits from retailing and publishing were concentrated into the secood half. He said he expected a material improvement in pre-tax results for tha year (over the previous £2.79m) and was increasingly enthusiastic about the longer term potential of the business."

Interest charges were cut to £379,000 (£576,000) with some £150,000 saving being attributed to the rights issue proceeds received in May. Earnings were up to 1.36p (0.91p) per share and the interim dividend is lifted to 0.22p (0.175p).

In retailing and publishing, sales improved to £13.92m (£12.6m) and trading profit to £462,000 (£372,000), but the figures were adversely affected by the major refurbishment and expansion at Dillons London bookstore.

The Athena retail refurbishment programme was also complated. So far this year in the UK 10 new shops were opened with at least another five to come. By the end of the year, net of closures, there would be some 55 Athena shops trading in the UK.

Mr Maher said the company had again raised its expectations for future new shop openings. At least 40 should be opened in 1987, including franchises, and tha objective was 250 shops within the next five years.

In the US, he would expect by the end of the year more than 20 Athena departments to be operating within the major stores group under the recent agreement. In addition the company was pushing on with the development of its own free standing retail chain; and would he expecting to operate from 10 stores by this time next year.

Within the office and contract furniture business trading continued to be buoyant, with sales ahead to £6.27m (£5.76m) and profit to £705,000 (£558,000). Work started on extending the manufacturing facilities at Ripley at a near £1m cost; it would add 30,000 sq ft of factory space.

# Burmah forms adhesives sector by $33m purchase

BY PHILIP COGGAN

Burmah Oil has taken another step to expand its specialty chemicals operations by buying Columbia Cement, o private US company, for $33m (£22m). Columbia is the largest supplier of contact adhesives in the US.

The purchase of Columbia will enable Burmah to form a separate adhesives division, consisting of the US company and Industrial Adhesives, the UK group which Burmah bought in 1982. The division could be further strengthened by the purchase of a French or West German company to add a European leg to Burmah's US and UK adhesives operations.

Burmah has now bought six chemical companies since the beginning of 1985 for around £40m-£50m in total and now has five specialty chemicals divisions: adhesives, coatings, printing inks, sealants and water managament. The Columbia acquisition was paid for in cash, from the proceeds of June's £86m rights issue.

Columbia was founded in 1919 and supplies contact adhesives to the construction, furniture, vehicle, boating and DIY markets. Its biggest customer is Formica.

Although Burmah is not releasing details of Columbia's profits for reasons of commercial sensitivity, it has annual sales of around £25m. Columbia's presideot, Mr Howard Maisel, will stay on as head of Burmah's US odhesives operations.

# Derek Crouch maintains improvement in first half

THE STRONG improvement in results last year was maintained in the first half of 1986 at Derek Crouch, opencast mining, civil engineering and building construction group. Although turnover slipped from £30.73m to £27.33m pre-tax profits increased to £1.38m, compared with £1.31m.

The directors explained, that the lower turnover arose principally from the weaker US dollar exchange rate and the reduced level of local authority construction work being undertaken.

Although the spring weather conditions were not very favourable, the company's UK mining operation maintained good levels of production and efficiency and the company will continue to tender for further new contracts as opportunities arise.

After tax charge of £497,000 (£492,000) for the six months, earnings per 20p share were given as 7.05p, against 6.58p while the interim dividend is lifted to 2.017p, compared with 1.793p—last year's final payme nt was 4.188p paid from pre-tax profits of £3.13m (£1.76m).

The company's coal operations in Pennsylvania were running satisfactorily and the substantial capital plant replacement already undertaken this year together with an excellent local workforce would help ensure the future operating efficiency of the US subsidiary directors said.

The market for coal remained depressed and the severe drop in world oil prices earlier this year inevitably led to a further softening of coal prices and o reduced profit contribution in the period. Nevertheless, with continued monitoring of production costs and techniques the company still anticipated o profitable out-turn for the year, they stated.

Construction activities were also hampered by the wet spring weather and completions in the company'a private homes division were slightly below expectations. However the company was still on course to meet objectives for the year.

## BOARD MEETINGS

The followin companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**

**Interims:** Elys (Wimbledon), Gibbs and Dandy, Hollis, Home Counties Newspapers, Oilfield Inspection Services, PCT, Persimmon, Reabrook.

**Finals:** Crusts, OSC, Framlington, Magnetic Materials, Second Alliance Trust.

**FUTURE DATES**

| | |
|---|---|
| **Interims:** | |
| Boddingtons Breweries | Sept 18 |
| Bridon | Sept 17 |
| Caparo Industries | Sept 11 |
| Costain | Sept 10 |
| Eucalyptus Pulp Mills | Sept 25 |
| Expamet International | Sept 8 |
| Rowntree Mackintosh | Sept 11 |
| Steetley | Sept 22 |
| Vickers | Sept 25 |
| **Finals:** | |
| DSC | Sept 5 |
| Marievale Consolidated Mines | Sept 22 |
| Precious Metals Trust | Sept 17 |

# Owen & Robinson reorganisation begins

Owen & Robinson, a small Yorkshire-based peweller which in recent weeks was taken over by two private investors, Mr Harry Davies and Mr Richard Ratner, yesterday revealed that its 1985-86 losses had been cut by £39,520 to £88,632.

It was pointed out, however, that the figures do not give a true comparison as the previous year's results included a one-off pension cootribution of £98,820.

The new management said that on a like-for-like basis sales declined by 5 per cent and with margins also undar pressure this led to a deterioration in the trading performance.

Following a review of the existing business, action has been taken to increase both margins and rate of stock turn.

It has been decided to relocate both the Hull and York shops and, to close Halifax. The freehold property at Hull will be disposed of but the freeholds at both York and Halifax will be retained on a tenanted basis for the time being.

Sales for first three months of current year showed some improvement, although much of the increase in sales was at the expense of margins. However, it is hoped as a result of the action outlined results for current year would show an improvement, although much will depend on Christmas trade.

The properties have been professionally revalued and showed a surplus of £949,145 over book value and the new valuations incorporated. Despite the losses, borrowings remained under 10 per cent of shareholders' funds.

Turnover for the past year (to May 31 1986) declined from £944,437 to £880,060. A final dividend of 5p makes a same-again net total of 10p.

Mr Ratner is a stockbroker with Kitcat and Aitken, while Mr Davies is a former director of Raybeck.

At the time of the bid they said their plan was to maintain the company's listing, improve the trading performance of its retail jewellery business and "seek to develop its activities when opportunities arise."

# LONDON RECENT ISSUES

## EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price | + or – | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 160 | F.P. | 5/9 | 184 | 165 | Acatos & Hutcheson50p | 184 | +1 | bd 5.25 | 2.9 | 4.0 | 12.3 |
| §115 | F.P. | 22/8 | 164 | 128 | ✠Anglia Sec Homes10p | 163 | ...... | R1.65 | 5.0 | 1.4 | 20.1 |
| §115 | F.P. | 22/8 | 125 | 118 | ✠Atlas Conv'tingEqu5p | 123 | ...... | R4.9 | 2.3 | 5.6 | 11.1 |
| §67 | F.P. | 8/8 | 71 | 68 | ✠BBB Design Grp 5p | 68 | ...... | L1.0 | 4.2 | 2.1 | 16.3 |
| ‖ | F.P. | — | 318 | 280 | BTR Nylex A$0.50 | 303 | ...... | Q15c | 2.7 | 2.1 | 17.7 |
| ‖ | F.P. | — | 53 | 41 | Bertrams Inv. Tst | 43 | ...... | — | — | — | — |
| §43 | F.P | — | 59 | 50 | ✠Broad St. Grp.10p | 59 | +3 | b1.1 | 2.2 | 2.6 | 24.4 |
| 100 | F.P. | 4/9 | 85 | 84 | Child Med C.JTE‡‡ | 85 | ...... | — | — | — | — |
| §110 | F.P. | 12/9 | 124 | 111 | ✠Colne Int 5p | 120 | ...... | R2.7 | 3.4 | 3.2 | 13.1 |
| 134 | F.P. | — | 161 | 134 | §F & H Group 10p | 160 | –1 | L4.76 | 2.5 | 4.2 | 13.2 |
| 210 | F.P. | — | 210 | 191 | G. T. Management 1p | 208 | +5 | R3.0 | 3.4 | 2.0 | 17.5 |
| 150 | F.P. | 29/7 | 172 | 150 | Guthrie Corp | 172 | ...... | u5.3 | 2.2 | 4.3 | 11.0 |
| 150 | F.P. | 15/8 | 165 | 156 | Harrison Inds. 10p | 162 | +1 | g5.0 | 2.7 | 4.3 | 12.1 |
| §92 | F.P. | 28/8 | 95 | 87 | ✠Hille Ergonom 10p | 90 | ...... | L2.0 | 3.1 | 3.1 | 12.4 |
| 105.25 | F.P. | — | 108 | 104 | India Fund £1 | 108 | +4 | — | — | — | — |
| — | F.P. | 29/8 | £39 | £36 | JF Pacific Warrant S.A. | £38½ | ...... | — | — | — | — |
| 110 | F.P. | 5/9 | 98 | 90 | ✠Marina Dev. 50p | 95 | ...... | R3.13 | 3.0 | 4.6 | 9.1 |
| §33 | F.P. | 29/8 | 34 | 27 | ✠Omnitech 1p | 30 | ...... | — | — | — | — |
| §120 | F.P. | 29/8 | 120 | 107 | ✠Personal Compu. 5p | 107 | ...... | R3.0 | 3.3 | 3.9 | 10.9 |
| §165 | F.P. | 1/8 | 184 | 157 | ✠Smallbone 10p | 160 | ...... | u5.0 | 2.1 | 4.4 | 14.9 |
| §110 | F.P. | 28/8 | 125 | 119 | Stanley Leisure | 125 | +5 | u3.25 | 2.8 | 3.7 | 13.9 |
| 145 | Nil | 3/10 | 21pm | 11pm | Sutcliffe Speak Uts† | 20pm | ...... | — | — | — | — |
| 130 | F.P. | 21/8 | 166 | 137 | ✠TV-am 10p | 166 | +2 | R5.75 | 2.6 | 4.9 | 11.1 |
| ‖ | F.P. | — | 163 | 152 | VSEL Consortium £1 | 163 | ...... | W5.68 | 4.3 | 4.9 | 5.1 |
| †† | F.P. | — | 100 | 95 | Welsh Ind. Inv. Tst. 5p | 95 | ...... | — | — | — | — |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or – |
|---|---|---|---|---|---|---|---|
| £100 | £10 | 23/10 | 10¼ | 9½ | Bournem'th & Dist Wtr 10⅝%Rd Db 1996 | 10¼ | ...... |
| ‖ | Nil | 10/10 | 3pm | 2pm | Egerton Tst 7% Cv Cm Red Pf | 2pm | ...... |
| §99.160 | F.P. | 24/10 | 101½ | 99½ | Elect & Gen. Inv. 10¾% Deb. 2011 | 100⅛ | –⅝ |
| ¶¶ | F.P. | — | 92 | 86 | Hollis 252% Cnv. Subord. Ln. 1988 (2⅝p) | 89 | –1 |
| — | — | — | 29 | 27½ | JF Pacific Warrant S. A. Pref. | 27½ | ...... |
| 105.523 | F.P. | 21/8 | 106½ | 98½ | Land Securities 10% 1st. Mort. Deb.25 | 100 | –1¼ |
| §99.957 | £25 | 24/10 | 25⅞ | 23¾ | Nationwide 3⅞% IL Ln. 2021 | 25⅜ | +⅛ |
| — | F.P. | — | 100⅝ | 100 | Do 10⅝% 17/8/87 | 100 | –⅛ |
| — | F.P. | — | 100⅛ | 99⅞ | Do 9⅞% 7/9/87 | 99⅞ | –⅛ |
| 100 | £10 | — | 10 | 10 | Portsmouth Water 10⅝% RedDeb 1996 | 10 | ...... |
| ‖ | F.P. | 30/9 | 106p | 100p | Scantronic 5.75% Cnv. Cum. Red. Pf. | 102p | ...... |
| ‖ | F.P. | 16/9 | 103p | 101p | Value & Inc. Tst. 6¼% Cum. Cnv. Red. Prf. | 102p | ...... |

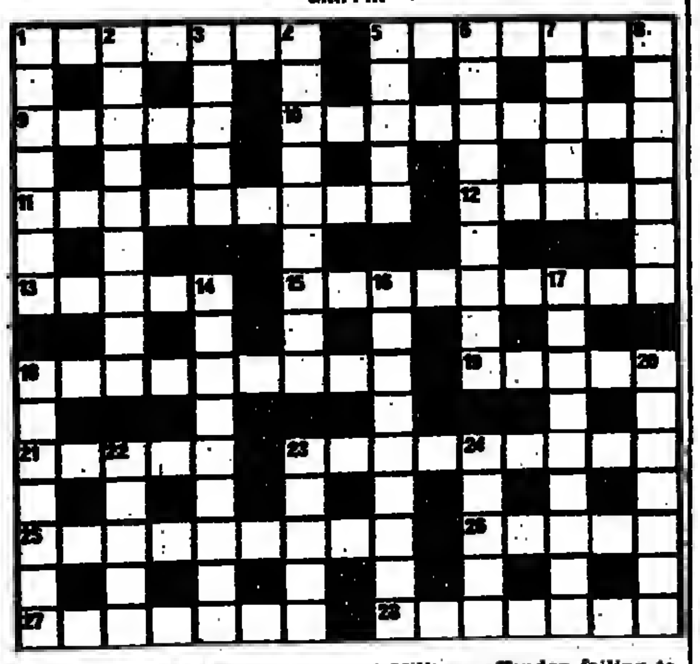
## "RIGHTS" OFFERS

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or – |
|---|---|---|---|---|---|---|---|
| fl2.50 | Nil | — | 350pm | 338pm | Algemene Bank Fl100 | 338pm | ...... |
| 168 | Nil | 10/10 | 22pm | 17pm | Allied Irish Banks | 21pm | +4 |
| 2 | Nil | 10/10 | 5½pm | 1½pm | Assoc. Brit. Eng. 1p | 5pm | +2½ |
| 190 | F.P. | 24/10 | 215 | 196 | BBA Group | 215 | ...... |
| 200 | Nil | — | 8pm | 5pm | Berkeley Technology | 7pm | –1 |
| 138 | Nil | 10/10 | 6pm | 2pm | Brown & Tawse | 6pm | ...... |
| 276 | Nil | 14/10 | 30pm | 25pm | FII Group | 25pm | ...... |
| 34 | F.P. | 6/10 | 39 | 37 | Forward Tech | 38 | ...... |
| 450 | Nil | 26/9 | 45pm | 39pm | Marler Estates | 45pm | +5 |
| 315 | Nil | — | 27pm | 18pm | Sedgwick Group 10p | 27pm | ...... |
| 390 | F.P. | 3/10 | 507 | 495 | WPP Group 10p | 505 | ...... |

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ✠ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

## FT CROSSWORD PUZZLE No. 6117

GRIFFIN



**ACROSS**

1 Heard the composer of "Rule Britannia" was first outside (7)
5 Union leader ordered retiring porter outside, quite loud enough (7)
9 Modify retail distribution without one (5)
10 Found in the country a worthless paper bouquet (9)
11 Lehar composed one of five with some clown (9)
12 Arabs ordered port (5)
13 Respond after the soldiers' performance (5)
15 Will teams change in a marquee! (9)
18 Club official makes rate fixing more certain (9)
19 In time the learned cleric will become a father (5)
21 Walk half mile behind a doctor (5)
23 Neat joints in frame (9)
25 Account for the mis-spelt answer to 15 across (9)
26 Shun prima donna returning carrying a ball! (5)
27 "Throwing a stone" the redhead admitted "is treachery" (7)
28 Made safe and dependable in the finish (7)

**DOWN**

1 Whip the one writing nonsense about it (7)
2 Every second a dead bird is brought in (9)
3 Runs round Oriental harbour (5)
4 Military offender failing to take the animals outside (9)
5 On the other hand, it's a profit (5)
6 People throw at this Devon banker and get on (9)
7 Skeleton of a duck Ben's thrown outside (5)
8 With unusual glee the worker polished (7)
14 Sat back before renovating Steel's flat (9)
16 Eve tries to turn a kind of shirt into a napkin! (9)
17 Try, when half drunk, our Dave! (9)
18 Comes to sin with tart running around the passage (7)
20 Allowed youth leader and poor Eddie about a pound (7)
22 Dashing fellow ordered to go around the end of April (5)
23 Set about getting the sailors back on board (5)
24 Catches the horse between two poles (5)

**Solution to Puzzle No. 6,116**

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

[illegible]

# AUTHORISED UNIT TRUSTS & INSURANCES

**Waverley Asset Management Ltd (a) (c) (g)**
13 Charlotte Sq, Edinburgh 031-225 1551

| | | | | |
|---|---|---|---|---|
| Australasian Gold | 19.5 | 20.9 | +0.1 | 0.15 |
| Pacific Basin | 15.6 | 16.6 | +0.6 | 0.2 |
| Canadian Balanced Grwth | 57.5 | 61.7 | +0.3 | 0.98 |
| Cimele Mine | 101.6 | 105.8 | ---- | 7.1 |

**WestArea Unit Trust Managers Ltd(a)(c)**
9 Portland Square, Bristol BS2 8SS 0272 429431

| | | | | |
|---|---|---|---|---|
| British Smllr Co's (z) | 20.1 | 22.0 | | 1.50 |
| British Growth (z) | 66.6 | 70.5 | +0.2 | 2.00 |
| British Income (z) | 47.6 | 49.8 | +0.5 | 5.00 |
| British Extra Yield(z) | 51.7 | 55.2 | -0.1 | 7.00 |

**Whittingdale Unit Trust Managers**
2 Honey Lane, London EC2V 8BT 01-606 9085/6

| | | | | |
|---|---|---|---|---|
| Short Dtd Gilt Fd | 67.8 | 68.8 | | 0.00 |
| U.S. Govmt Bond Fd | 0.0519 | 0.0519 | -0.001 | — |

**Windsor Trust Mngrs Ltd**
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Capital & Equity Tst | 49.6 | 52.8 | +0.1 | 7.51 |
| Growth Trust | 53.5 | 57.4 | +0.4 | 2.19 |
| Income Trust | 54.4 | 57.9 | +0.4 | 5.08 |

**Wright Seligman Fund Managers Ltd**
11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 70.3 | 73.8 | ---- | 2.97 |

Weekly dealing day Tuesday

**The Yorkshire General Trust**
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

| | | | | |
|---|---|---|---|---|
| Y.G.T. | 127.4 | 135.8 | +0.8 | 3.24 |

**City of Edinburgh Life Assurance**
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1456

| | | | | |
|---|---|---|---|---|
| Ivory & Sime Bond | 102.0 | 108.0 | ---- | — |
| High & Reward Bond | 120.0 | 127.0 | +1.0 | — |
| Murray Johnstone Fd | 124.0 | 131.0 | ---- | — |
| Money Market Fd | 101.0 | 107.0 | ---- | — |
| Ivory & Sime Pen Fd | 104.0 | 110.0 | ---- | — |
| High & Reward Pen Fd | 101.0 | 107.0 | ---- | — |
| Murray J'stone Pen Fd | 121.0 | 128.0 | ---- | — |
| Money Market Pen Fd | 101.0 | 107.0 | ---- | — |

**City of Westminster Assurance**
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660088

| | | | | |
|---|---|---|---|---|
| Current Series | | | | |
| Property Fund | 113.0 | 119.0 | ---- | — |
| Money Fund | 222.7 | 233.4 | ---- | — |
| Managed Fund | 410.6 | 432.9 | -1.3 | — |
| Equity Fund | 257.0 | 270.6 | +0.7 | — |
| Fixed Interest Fund | 149.4 | 157.3 | -1.7 | — |
| Far East Fund | 216.1 | 227.5 | -1.8 | — |
| North American Fund | 175.4 | 184.7 | -1.5 | — |
| Natural Resources Fund | 135.1 | 142.3 | +1.6 | — |
| Pension Managed Fund | 382.8 | 403.0 | -0.2 | — |
| Pension Equity Fund | 243.3 | 256.1 | +1.2 | — |
| Adventurous Mngd Fd | 109.5 | 115.3 | -0.1 | — |
| Balanced Mngd Fd | 105.7 | 111.3 | -0.1 | — |
| Conservative Mngd Fd | 105.7 | 111.3 | -0.1 | — |
| European Fund | 105.5 | 111.1 | +0.4 | — |
| International Fund | 104.8 | 110.4 | ---- | — |

For other prices please telephone 0908 606101/660088

# INSURANCES

**AA Friendly Society**
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4WW 0222 35542

| | | | | |
|---|---|---|---|---|
| AA Friendly Sy Aug 8 | | 105.1 | ---- | — |

**Abbey Life Assurance Co Ltd**
80 Holdenhurst Road, Bournemouth 0202 292373

| | | | | |
|---|---|---|---|---|
| Prop. Ser. 1 | 207.1 | 218.1 | | — |
| Equity Ser. 1 | 105.6 | 111.2 | +0.8 | — |
| Prop. Acc. Ser 2 | 278.7 | 293.4 | | — |
| Equity Ser 2 | 114.7 | 120.8 | +0.9 | — |
| Selective Acc. | 243.0 | 255.8 | +1.0 | — |

**Clerical Medical/Fidelity International**
Narrow Plain, Bristol BS2 0JH 0272 290566

| | | | | |
|---|---|---|---|---|
| Investment Funds | | | | |
| Mixed | 135.8 | 143.0 | +0.4 | — |
| Equity | 154.3 | 162.5 | +0.8 | — |
| Property | 109.0 | 114.8 | ---- | — |
| Gilt & Fixed Interest | 116.1 | 122.3 | -0.5 | — |
| Indexed Securities | 101.4 | 106.8 | ---- | — |
| Cash | 107.2 | 112.9 | ---- | — |
| North American | 108.6 | 114.4 | +0.5 | — |
| Far East | 132.2 | 139.2 | +0.3 | — |
| International | 126.9 | 133.6 | +0.2 | — |
| Special Situations | 147.5 | 155.3 | -0.1 | — |
| International Income | 141.9 | 149.4 | +0.6 | — |
| American Income | 117.1 | 123.3 | +0.1 | — |
| European | 151.0 | 159.0 | -0.5 | — |
| Flexible Retirement Plan | | | | |
| Mixed | 140.2 | 147.6 | +0.3 | — |
| Equity | 149.8 | 157.7 | +0.9 | — |
| Property | 114.3 | 120.4 | +1.0 | — |

[illegible]

# INSURANCE, OVERSEAS & MONEY FUNDS

**Skandia Life Assurance Co—Contd**

| | | | | |
|---|---|---|---|---|
| Australian | 70.3 | 73.9 | +1.0 | — |
| European | 180.9 | 190.4 | −0.9 | — |
| European Sm. Cos. | 171.2 | 180.2 | [illegible] | — |
| Hong Kong | 102.3 | 107.4 | +0.5 | — |
| Japan Trust | 177.5 | [illegible] | [illegible] | — |
| Japan Special Sits. | 169.4 | 178.3 | [illegible] | — |
| Pacific Smaller Co. | 132.9 | 139.8 | −0.4 | — |
| Singapore and Malaya | 70.9 | 74.6 | −1.1 | — |
| North American | 105.8 | 111.3 | −0.5 | — |
| American Smaller Co. | 106.4 | 112.0 | −1.3 | — |
| American Recovery | 116.0 | 122.1 | −1.1 | — |
| Prime Residential | 95.0 | 99.9 | −0.1 | — |
| Managed | 142.5 | 149.7 | −0.4 | — |

**UK Provident**

UK House, Castle St, Salisbury SP1 3SH 0722 336242

| | | | | |
|---|---|---|---|---|
| Managed | 106.1 | [illegible] | +0.2 | — |
| Property | 98.0 | [illegible] | ..... | — |
| UK Equity | 104.1 | [illegible] | +0.6 | — |
| UK Fixed Interest | 101.9 | [illegible] | −0.1 | — |

**Vanbrugh Life Assurance**

Portland Hs, Stag Place, Ldn SW1E 5BH 01-630 1661

**Vanbrugh Pensions Limited**

Portland Hs, Stag Place, Ldn, SW1E 5BH 01-630 1661

**Windsor Life Assur Co Ltd**

Royal Albert House, Sheet St, Windsor

**Standard Life Assurance Company**

**Sun Alliance Insurance Group**

**Sun Life of Canada (UK) Ltd**

**Sun Life Unit Assurance Ltd**

**Sun Life Pensions Management Ltd**

**Swiss Life Pensions Ltd**

**TSB Life Ltd**

**Target Life Assurance Co. Ltd**

**Tenbury Assurance Co. Ltd**

**Trident Life Assurance Co Ltd**

**Tunbridge Wells Equitable**

**Tyndall Assurance/Pensions**

**UK Life Assurance Co Ltd**

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

## Money Market Bank Accounts

## NOTES

## TRADITIONAL OPTIONS

3-month call rates

# COMMODITIES AND AGRICULTURE

## Strikes hit Canada's zinc, lumber and wheat exports

BY BERNARD SIMON IN TORONTO

INDUSTRIAL DISPUTES have severely disrupted several of Canada's key resonrce exports, including wheat, lumber and zinc.

Grain shipments through the Lake Superior port of Thunder Bay, which bandles 40 per cent of Canada's wheat exports, came to a halt earlier this week when 500 grain handlers went on strike over a wage dispute and another 700 were locked out.

The strike comes at a particularly awkward time for prairie grain producers. Besides facing a buyer's market, farmers are about to barvest a record crop. According to Statistics Canada, this year's wheat crop will reach 31.3m tonnes, up from 24.3m tonnes in 1985. Barley production is expected to rise from 12.4m to 15.1m tonnes.

An official of the Manitoba Wheat Pool in Winnipeg said yesterday that the Thunder Bay stoppage is unlikely to affect foreign customers for another three-four weeks. Stocks are high at grain elevators on the lower St Lawrence River, where grain is trans-shipped from lakers to ocean-going vessels.

In view of the bumper crop and the parlous financial position of many western Canadian farmers, pressure is expected to grow on the Federal Government te legislate the grain handlers back to work if no settlement is reached soon.

In eddition, the Canadian Wheat Board is expected te route larger qnantities of grain through west coast ports, whose share of exports has in any case beeu rising, thanks partly to the opening of a new terminal at Prince Rupert last year.

The Thunder Bay workers, who earn an average of C$14.50 (£7) an hour, have rejected a mediator's proposal of e 2 per cent wage increase with another 1 per cent to follow in mid-1987.

In British Columbia, tha provincial government has eppointed a judge to try to end e six-week partial walkout by 21,000 sawmill and logging mebers of the International Woodworkers of America.

Although stocks are high softwood lumber prices have begun climbing in response to the strike which affects an estimated 40 per ceot of British Columbia's softwood lumber output. Picketing has also closed two pulp mills, one ewned by MacMillan Bleedel and tha other by British Columbia Forest Products.

Meanwhile Noranda, the Toronto-based mining group, plans to resume limited productiou later this week at its zinc refinery at Valleyfield, Quebec, which has been closed for almost three months by a strike over a new labour contract.

The refinery, with a capacity of 230,000 tonnes a year, will be operated by supervisory staff. A company official said entput will be a "fraction" of capacity.

Noranda bepes that United Steelworkers of America members at Valleyfield will resume negotiations soon following a decision by union leaders at a Neranda copper smelter and gold mine at Rouyn, Quebec, to eccept a new three-year contract. The contract was due to be ratified by workers yesterday.

## Supply squeeze lifts aluminium

BY ANDREW GOWERS

ALUMINIUM PRICES rose to their highest levels in uearly three months on the Londen Metal Exchange yesterday, as e squeeze ou nearby supplies combined with concern about the impact of continuing strikes et several smelters in the US.

Cash aluminium closed at £802 a tonne, up £12 on the day and close to levels reached the last time there was e serious supply sqneeze in June. The price for aluminium delivered in three menths' time, which has been trading in "backwardation" (at a discount to the cash price) for some time, also rose amid speculative and trade buying, to close at £785.25.

Analysts were divided as to the reasons fer tha latest rise. Mr Anthony Hodges, of traders Rudolf Wolff, said renewed interest had spilled over into aluminium from the copper market, which this week showed its first significant rise since early July. He added that fundamentals continue to point to a buoyant aluminium market, with about five US smelters still strike-bound and metal being sucked into North America from Europe.

"If this contiuues for some time, we'll be looking at quits a tight squeeze," ha said.

The picture is confused, however, by curreut stocks levels within the industry, and by short-term distortions on the LME.

Mr Angus McMillan, a analyst with Sbearson Lehman Bros, said the cash market was once again being pusbed around by the growing volume of aluminium options business being bandled in London. The price was being artificially supported by short-covering on the part of traders with options falling dne.

This was serving to mask a significant worsening in the overal supply-demand picture, despite the loss of between 130,000 and 150,000 tonnes of US output during the summer, he edded.

Although non-communist world aluminium stocks fell sharply in the first four months of this year, they heve since started rising again. Mr McMillan maintains that with smelters coming on stream, or increasing their output, in Canada, Brazil, Ghana and France, this implies e return to the over-supply with which the market has been grappling for years.

"Despite all the cutbacks, the underlying trend is still fer production to build up," he said.

Some traders are becoming increasingly concerned about tha distortions being introduced into the LME aluminium market by eptions business. This has created opportunities for deliberate manipulation of e market which is in any case still thin following the tin crisis.

"It's very difficult to ask people to bedge in a market that's so freqnently in backwardation," said one observer.

● Swis Aluminium (Alusuisse) said it plans to cut production capacity at its Chippis aluminium plant in Switzerland'e Valais region to 12,000 tonnes per year from 24,000.

It said capacity will be cut by 6,000 tonnes next month and by an additional 6,000 tonnes in 1987. Production at the company's more modern Steg plant, which has an annual capacity of 48,000 tonnes, will remain unchanged.

Alusuisse, which made a 1985 los of SFr 692.3m (£281m) after 1984 profit of SFr 168.7m, warned shareholders earlier this month of a "difficult way ahead."

## Crude oil market stages 'ceremonial rally'

BY LUCY KELLAWAY

OIL PRICES rose in London yesterday by about 35 cents with Brent cargoes for October delivery trading at $15.55, a rise since the beginning of the week of about $1.

One dealer yesterday described the movement as a "ceremonial rally" to commemorate the beginning of the new Opec production quotas, which came into force on Monday.

In New York the mood was more unsettled, and an early rally was snuffed out, leaving West Texas Intermediate little changed by lunchtime at about $16.20.

Most traders believe that the Opec production curbs, which pushed the price of oil up from about $9 a month age are being well observed.

Market activity on both sides of the Atlantic this week has been low. In tha Brent market abent a dozen trades were done yesterday compared to tha 40 or 50 traded daily a month age

## Chernobyl fund talks forced by Welsh

By Roben Reeves, Welsh Correspondent

A HASTILY-arranged meeting te discuss revising the compensation errangements for Welsh sheep producers affected by the Chernobyl nuclear fall out is te be held in Cardiff today between Mr Nichelas Edwards, the Welsh Secretary of State, and Welsh farmers" leaders.

Mr Edwards agreed to the new talks after strong protests were voiced about the present arrangements on Wednesday evening at e meeting between farmers' leaders and Welsh Office agriculture department officials in Llanrwst, North Wales.

Some 200 angry farmers lobbied the talks and refused to allow the officials to leave until the meeting with Mr Edwards had been arranged.

Some farmars are se dissatisfied with the compensatiou terms that they have threeteeed to ignere the nine-week-eld restrictien on the movement ef sbeep and lambs across a wide area of uerth Wales because of irradietien cansed by fall out from the Chernobyl disaster.

The farming unions in Wales want the conditien of animals within the affected zone te be assessed for compensatien on e sheep pen by pen basis. They complain bitterly that the present compensation valuations, based on average market prices, are insufficient for individual farmers.

A new worry to emerge from the radieactivity menitoring programme is evidence of radioactive contamination of bay and silage crops which bave been harvested in the area this summer.

## Norway plans gas-fired power plant

By Fay Gjester in Oslo

STATOIL, Nerway's state oil company, has concluded a tentative 1bn cub metres per year gas sales agreement with the Norwegian state power company, Statkraft, to supply fuel for what could be the country's first gas-fired power plant, feeding 5bn kilowatt bours per year into tha national grid. This is about 5 per cent of Norway's present power outpnt — today almost eutirely derived from hydro-power plants.

Announcing this yesterday, the Oil Minister, Mr Arne Oien hailed the deal as "a very welcome event," which could provide much needed investment and employment for many sectors of Norwegian industry in 1989-90—a period when e trough in offshore oil and gas investment is expected—as well as helping to meet national electricity requirements.

## Orange juice

CACEX, Brfazil's foreign trade agency, said yesterday that it has uot suspended oranga juice export registrations as announced last week. It said its confirmation of tha temporary suspension, pending agreement between growers and processors ou prices for tha coming crop, had been based on a misunderstanding between itself and the Ministry of Planning.

## Stage set for tin battle

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE LEGAL battle over the ruins of the International Tin Council will soon be starting in earnest if Tinco Realisations, a group of 11 London Metal Exchange brokers, succeeds with its planned petition for the winding up of the insolvent Council.

That is likely to be only the first step in the ection to recover losses of up to £400m sustained in the tin crisis. Mr Michael Arnold, a senior partner of Arthur Young, the accountancy firm, who is co-ordinating the brokers' efforts, may be appointed liquidetor of the Council only to be told that the 22 member states — or most of them — are unwilling to stand for the debts.

Suits against the member states could then be brought in the UK or in other jurisdictions, depending on the answers which the courts might be expected to give to the following three questions:

● Can the creditors claim, in addition to contract debts, also damages for losses consequential on the suspension of trading on the LME?

● Are the member states liable, jeintly and individually, for the debts?

● If they are found liable and unwilling to pay, can any jndgment debts be enforced against them?

The creditors have now outlined their argument in a memorandum drafted by three eminent lawyers, Mr Elihu Lauterpacbt QC, Sir Ian Sinclair QC, and Dr Richard Plender. The governments, wbile keeping their cards close to their chests, are mostly saying "no" in a variety of languages and intonations.

The erchives of the ITC have been inacessible and protected by immunity up to now. British Government officials have refused to answer many qnestions asked, claiming that the UK is bound by confidentiality. What purpose sucb confidentiality can serve now that ITC is ne longer trading is hard to imagina.

The reluctance to speak abont what the Council discussed and resolved befere closing shop suggests that the member Governments bope to escape full responsibility for wrongful trading, leaving it all ou the ehoulders of the buffer-stock managers.

But the details of what was said and resolved are unnecessary. Tha essential facts are on record. The ITC started trading with less money than it should have received from the members sccording to the treaty (the Sixth International Tin Agreement) and expanded its operations beyond the financial limits of the treaty. It contirned trading long after it became insolvent. It is not uecessary to prove fraud; recklessness and even incompetence alona sbould be enough to establish claims for damages for consequential losses suffered by the London brokers.

The second question can be put another way: is the ITC a limited liability corporation, as ths member states will no deubt assert, or is it either e partnership or an agent or *alter ego* of the member states, who therefore aredirectly responsible for its unpaid debts?

The creditors' memorandum goes to great lengths to show, somewhat unnecessarily, that other international organisations are without limited liability, unless specifically so provided; and moreover that the bistory of the ITC shows that it is in an agency relationship to its member states.

This may be ueither here nor there. A more solid argument is that no organisation can trads outside of a national law, that the practical impact of international law is determinad by what national law makes of it: that there is uo such thing as a limited liability company under international law.

Mr Michael Arueld, the accountant who is co-ordinating the brokers' campaign.

Industrial countries afford the priviged status of limited liability to companies under strictly defined conditions, designed for the protection of the creditors and members. The ITC is nothing of the sort. It traded in London under English law as an English statutory corporation—there is not a word about limited liability in the ITC Headquarters Agreement or the implementing order laid before Parliament.

The member states, or some of them, are likely to claim sovereign immunity. They will say that what they did was not for profit but fer the well-being of their countries. Bnt whatever their objective was, they attempted to achieve it by trading ou the LME.

As Chief Justice Marshall of the US Supreme Court held in 1824: "It is, we think, a sound principle, that when a Government becomes a partner in any trading company, it divests itself, so far as concerns the transactions of the company, of its sovereign character and and takes that of a private citizen." The creditors will be able to rely on a detailed analysis of this rule provided by Lord Wilberforce (1). Under his interpretation, commercial dealings are excinded from the benefits of sovereign immunity, whatever was ths purpose of the govarnment in engaging in it. The same stand has beeu adopted by the highest German courts. Also tha US Supreme Court held (in Alfred Dunhill of Loedon Incorporated v Republic of Cuba, 1976) that the concept of acts of state cannot apply to the repudiation of a purely commercial debt.

The qnestieu of enforcing any judgments obtained against member states is a more difficult ene. The judgment debtors could proceed against any commercial property of the dsbtor states, including the property of state-ownad corporatiens. But as far as bank eccounts are coucerned, they could be greatly hampered by the decisiou of the House of Lords in the case of Alcom v Republic of Colombia (2) that the nature of the bank eccount, whether maintained for commercial or governmental purposes, was made entirely dependent ou a certificate from the debtor country's diplematic representative in the UK.

Some believe that the House of Lords went too far in faveur of the debtor and may welcome the opportunity to giva a better deal to tha creditors when the ITC appeals reach It. But that may be e very long time away.

*(1) I Congreso del Partido (1981) 2AU ER 1064. (2) (1984) 2 WLR 750.*

## LONDON MARKETS

GOLD and platinum prices paused after their recent rallies yesterday. Gold, which rose above $400 in London on Wednesday on concern over South Africa and over the possibility of a new upsurge in inflation, fell $0.25 on the day to close at $406.50 an ounce. Platinnm, which had earlier pulled the gold price ep in its wake, dropped by $4 to an afternoon fix of $644.50 an eunce. Dealers said gold fell beavily around mid-day and had looked at one stage as though it weuld dip below $400 before recovering most of its losses. They said both metals were consolidating their positions following the recent sharp rise and that gold has this week begun to look as if it is developing its own mementum. Some believe investors may choose to take profits from platinnm and put them into gold. In other markets, cocoa futures lost most ef Wednesday's gains, with December falling £17 on the day to £1,549.50 per tonne. Robusta coffee futures reversed the previous day's losses to gain £46 in the Nevember position to £2,354 per tonne.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 801-3 | +12 | — |
| 3 months | 785-5.5 | +12.75 | 785/775 |

Official closing (am): Cash 802-4 (790-1), three months 784-4.5 (770-0.5), settlement 804 (791). Final Kerb close: 785.5-6.
Turnover: 28,100 tonnes.

### COPPER

| | Unofficial close | + or — | High/low |
|---|---|---|---|
| Grade A | | | |
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |
| Standard | | | |
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

[illegible]

### LEAD

| | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

[illegible]

### NICKEL

| | Unofficial close (p.m.) | + or — | High/low |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

[illegible]

### TIN

KUALA LUMPUR TIN MARKET: Close 14.08 (14.00) ringgit per kg. Up 0.08 ringgit per kg.

### ZINC

| | Unofficial close (p.m.) | + or — | High/low |
|---|---|---|---|
| High grade | | | |
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): [illegible] 581-82.
Turnover: 14,300 tonnes. US Prime Western: 44-44.75 cents per pound.

### GOLD

Gold fell just $¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $406-$407. The metal opened at $405½-$406 and traded between a high of $407-$408 and a low of 401-402. While sentiment remained bullish, gold tended to take a breather yesterday, having risen over $20 an ounce from last Friday.

| GOLD BULLION (fine ounce) Sept. 4 | | |
|---|---|---|
| Close | $406-407 | (£269¾-270½) |
| Opening | $405½-406½ | (£280¼-321½) |
| M'n'g fix | $404.00 | (£268.760) |
| Aft'n fix | $405.50 | (£269.346) |

| GOLD AND PLATINUM COINS | | |
|---|---|---|
| Kr'g'r'nd | $403-406 | (£269-272) |
| ½ Krug | $215½-215 | (£141¾-142¾) |
| ¼ Krug | $108¼-109½ | (£72¼-72¾) |
| 1/10 Krug | $44-46 | (£29¼-29¾) |
| Mapleleaf | $417¼-420¾ | (£277½-279½) |
| Angel | $419-415 | (£275½-275½) |
| 1/10 Angel | $43-48 | (£28½-31¼) |
| New Sov. | $97-99 | (£64-67) |
| Old Sov. | $101½-103½ | (£67½-69) |
| $20 Eagle | $475-525 | (£316-349¼) |
| Noble Plat | $660¾-661½ | (£432¾-440¼) |

### SILVER

Silver was fixed 8.55p an ounce lower for spot delivery in the London bullion market yesterday at 352.45p. US cent equivalents of the fixing levels were: spot 529.55c, down 11.45c; three-month 536.8c, down 11.7c; six-month 544.25c, down 11.55c; and 12-month 559.25c, down 11.75c. The metal opened at 356½-358p (534-536c) and closed at 355-358p (534-536c).

| SILVER per troy oz | Bullion Fixing Price | + or — | L.M.E. p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 356.45p | -8.55 | 352.5p | -7 |
| 3 months | 360.70p | -16.5 | 361.00p | -6.85 |
| 6 months | 368.90p | -16.8 | — | — |
| 12 months | 385.35p | -8.25 | — | — |

LME—Turnover: 5 (133) lots of 10,000 ounces.
Three months high/low 358.5p, final kerb 362-4p.

### MEAT

Live cattle prices eased due to fresh trade selling in light volume, reports Eastern Capital CCST.

| | LIVE CATTLE | | LIVE PIGS | |
|---|---|---|---|---|
| Month | Y/day's close | + or — | Y/day's close | + or — |
| Sept | 96.50 | — | — | — |
| Oct | 97.00 | -1.30 | 104.30 | — |
| Nov | 89.00 | -1.00 | 105.40 | -0.30 |
| Feb | 89.50 | — | 98.30 | +0.50 |
| Apr | — | — | 99.00 | -0.50 |

Cattle sales: 11 (6) lots of 5,000 kg.
Pigs sales: 1 (0) lots of 3,250 kg.

### INDICES

REUTERS

| Sept 4 | Sept 4 | M'th ago | Year ago |
|---|---|---|---|
| 1475.0 | 1470.4 | 1466.6 | 1708.9 |

(Base: September 18 1931=100)

DOW JONES

| Dow Jones | Sept 3 | Sept 2 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 120.81 | 118.95 | — | 112.92 |
| Fut | 125.22 | 122.64 | — | 113.35 |

(Base: December 31 1931=100)

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Sept. 4 1986 | + or — | Month ago |
|---|---|---|---|
| METALS | | | |
| Aluminium | | | |
| Free Market | $1220/240 | +25 | $1123/245 |
| Copper | | | |
| Cash Grade A | £903 | -2.5 | £878.0 |
| 3 mths | £919.75 | -1 | £896.5 |
| Gold Troy oz | $406.5 | -0.25 | $362.5 |
| Lead Cash | £274.5 | +1 | £255.5 |
| 3 mths | £276.37 | +0.12 | £256.25 |
| Nickel | | | |
| Free Mkt | 175/185c | +1 | 175/185c |
| Palladium oz | $148.00 | -3.50 | $121.40 |
| Platinum oz | $644.50 | -4 | $488.00 |
| Quicksilver† | $135/145 | ...... | $160/185 |
| Silver troy oz | 352.45p | -8.55 | 350.50p |
| 3 mths | 360.70p | -10.80 | 356.80p |
| Tin | | | |
| free mkt | £3600/710 | -15 | £3470/600 |
| Tungsten | $52.73 | ...... | $52.10 |
| Wolfram 22.04lb | $35/45 | ...... | $42/50 |
| Zinc | £584.12 | -1.38 | £546 |
| 3 mths | £586.25 | -3.5 | £546.5 |
| producers | $840/850 | ...... | $840 |
| OILS | | | |
| Coconut (Phil) | $230w | ...... | $323.5 |
| Palm Malayan | $205y | ...... | $206 |
| Copra (Phil) | $150z | ...... | $150 |
| Soyabean (U.S.) | $155 | +1 | $174 |
| GRAINS | | | |
| Barley Fut.Nov. | £107.75 | +0.40 | £104.95 |
| Maize | £152.75 | -0.25 | £148.00 |
| Wheat Fut.Nov. | £108.05 | +0.75 | £105.90 |
| No. 2 Hard Wint. | ‡ | ...... | ‡ |
| OTHERS | | | |
| Cocoa Ft. Dec. | £1549.5 | -17 | £1488 |
| Coffee Ft. Nov. | £2354 | +46 | £1763.5 |
| Cotton A Ind.* | 39.85c | +0.35 | 36.45c |
| Gas Oil Oct. | $139.0 | +1 | $130.75 |
| Rubber (kilo) | 60.5p | -0.5 | 59.5p |
| Sugar (raw) | $122z | +1 | $155 |
| Wooltops 64s | 387p kilo | ...... | 385p kilo |

‡ Unquoted. † Per 76-lb flask. c Cents a pound. x Oct. * Cotton outlook. y Nov. n Sept-Oct. w Oct-Nov.

### MEAT COMMISSION

[illegible]

### COCOA

[illegible]

| COCOA | Yesterday's close | + or — | Business Done |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### COFFEE

[illegible]

| COFFEE | Yesterday's close | + or — | Business Done |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### SOYABEAN MEAL

| | Yesterday's close £ per tonne | + or — | Business done |
|---|---|---|---|
| October | 135.5-135.8 | +0.35 | 134.5 |
| Dec. | 132.3-132.8 | +1.00 | 133.0-131.5 |
| Feb. | 133.5-134.8 | +0.90 | — |
| April | 134.5-135.5 | +0.75 | — |
| June | 131.5-135.0 | -0.25 | — |
| August | 130.5-132.5 | ...... | — |
| October | 132.5-135.0 | ...... | — |

Sales: 331 (325) lots of 20 tonnes.

### GRAINS

Wheat and barley steadied on lack of offers, reflecting strong delivered prices, reaching the day's highs of 90p up before easing on short-term profit-taking.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yesterday's Close | + or — | Yest'rdy's Close | + or — |
| Sept | 167.00 | +0.75 | 105.50 | +0.65 |
| Nov | 108.05 | +0.75 | 107.75 | +0.45 |
| Jan | 110.90 | +0.70 | 110.50 | +0.55 |
| Mar | 112.40 | +0.75 | 112.90 | +0.85 |
| May | 116.90 | +0.75 | 114.13 | +0.95 |
| July | 117.15 | +0.75 | — | — |

Business done—Wheat: Sept 107.15-106.70, Nov 108.15-107.50, Jan 111.00-110.40, March 113.40-113.10, May 116.90-116.80, July untraded. Sales: 358 lots of 100 tonnes. Barley: Sept 105.75-105.50, Nov 107.95-107.60, Jan 110.70-110.40, March 112.90-112.80, May untraded. Sales: 150 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Oct 98.00, Nov 97.75. US no 2 soft red winter Oct 95.50, Nov 97.25. French 11½-12 per cent Sept 129.50. English feed fob Jan/Mar 116.25 paid east coast, Sept 116.50 buyer, Oct/Dec 112.50/113.00 buyer/seller. Maize: US no 3 yellow/French transhipment east coast Sept 152.75. Barley: English feed fob Sept 108.00/108.00, Oct/Dec 112.50/113.25, Jan/Mar 116.00/116.50 buyer/sellers.

HGCA—Locational ex-farm spot prices. Feed barley: S East 102.60, E West 102.80, W Hids 101.10, N East 99.80. The UK monetary coefficient for the week beginning Monday September 8 will remain unchanged.

### POTATOES

The market drifted lower throughout the day in thin volume to close at the lows, reports Coley and Harper.

Sales: 615 (596) lots of 40 tonnes.

| Month | Yesterdays close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Nov | 110.50 | 111.50 | — |
| Feb | 123.50 | 127.50 | — |
| Apr | 155.60 | 158.16 | 157.50-155.40 |
| May | 171.20 | 174.50 | 172.80-170.00 |
| Nov | 85.00 | 85.00 | — |

Sales: 998 (1,443) lots of 40 tonnes.

## US MARKETS

THE PRECIOUS Metals were once again the main attraction, reports Heinold. The platinum contract, basis October, made gains of nearly $12 up to a level of $676 per ounce in very erratic trading although the market had moved over $10 lower in the early session. Gold futures also responded to general strong speculative buying to see the market reach new highs of $422.5 per ounce, basis December, and make gains of about $5 across the board at the close. Coffee also continued the upward trend and closed 2.5c over Wednesday's close, basis December, with no fresh news to inspire the market. Prices still reflected a great deal of confidence with the main operators giving the market a lot of support.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 53.45 | 53.30 | 53.30 | 53.70 |
| Oct | 53.65 | — | — | 53.30 |
| Nov | 54.00 | — | — | 53.65 |
| Dec | 54.30 | 54.30 | 54.15 | 53.90 |
| Jan | 54.50 | — | — | 54.10 |
| March | 54.85 | 54.70 | 54.70 | 54.25 |
| May | 55.00 | — | — | 54.60 |
| July | 55.25 | — | — | 54.85 |
| Sept | 56.45 | — | — | 55.05 |
| Dec | 55.55 | — | — | 55.75 |

COCOA 10 tonnes, $/tonne

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 2073 | 2068 | 2072 | 2063 |
| Dec | 2148 | 2174 | 2122 | 2135 |
| March | 2196 | 2218 | 2175 | 2183 |
| May | 2223 | 2237 | 2206 | 2202 |
| July | 2238 | 2257 | 2230 | 2221 |
| Sept | 2258 | — | — | 2240 |
| Dec | 2270 | — | — | 2255 |

COFFEE "C" 37,500lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 202.00 | 202.00 | — | 199.00 |
| Dec | 203.30 | 204.95 | 201.20 | 200.75 |
| March | 200.32 | 201.50 | 198.75 | 198.17 |
| May | 198.75 | 201.00 | 198.50 | 198.90 |
| July | 198.50 | 200.10 | 197.50 | 198.00 |
| Sept | 197.38 | — | — | 196.75 |
| Dec | 197.50 | — | — | 197.75 |

COPPER 25,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

COTTON 50,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

GOLD 100 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

HEATING OIL 42,000 US gallons, cents/US gallons

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 43.50 | — | — | 43.50 |
| Oct | 44.65 | 45.20 | 44.30 | 44.54 |
| Nov | 46.10 | 46.56 | 45.90 | 46.22 |
| Dec | 47.35 | 47.90 | 47.05 | 47.45 |
| Jan | 47.98 | 48.40 | 47.75 | 47.98 |
| Feb | 48.05 | 48.35 | 47.80 | 47.94 |
| March | 45.50 | 45.85 | 45.35 | 45.19 |
| April | — | — | — | 43.50 |
| May | 42.70 | 43.00 | 42.40 | 42.34 |
| June | 42.40 | 42.40 | 42.40 | 41.99 |

ORANGE JUICE 15,000lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 100.50 | 102.00 | 100.50 | 102.00 |
| Nov | 102.75 | 103.80 | 102.50 | 103.90 |
| Jan | 104.30 | 105.40 | 104.50 | 105.30 |
| March | 106.05 | 107.00 | 106.05 | 107.05 |
| May | 107.80 | 107.80 | 107.80 | 108.00 |
| Sept | 108.90 | — | — | 108.85 |
| Jan | 109.40 | — | — | 109.50 |

PLATINUM 50 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 663.8 | 662.0 | 645.0 | 651.9 |
| Oct | 665.3 | 678.6 | 635.0 | 652.5 |
| Jan | 669.5 | 680.0 | 641.0 | 657.2 |
| April | 673.3 | 682.6 | 642.0 | 660.8 |
| July | 677.1 | 682.4 | 648.6 | 664.4 |
| Oct | 681.1 | — | — | 668.4 |

SILVER 5,000 troy oz, cents/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 535.7 | 541.0 | 525.6 | 522.4 |
| Oct | 538.6 | — | — | 525.0 |
| Nov | 540.2 | — | — | 533.2 |
| Dec | 543.5 | 557.0 | 534.6 | 540.5 |
| Jan | 546.1 | — | — | 543.1 |
| March | 551.4 | 562.0 | 544.0 | 548.4 |
| May | 556.8 | 568.6 | 548.5 | 553.9 |
| July | 562.7 | 570.0 | 556.5 | 558.7 |
| Sept | 568.6 | 575.0 | 564.6 | 565.8 |
| Dec | 577.5 | 583.6 | 569.6 | 574.5 |

SUGAR WORLD "11" 112,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 5.10 | 5.18 | 5.04 | 5.23 |
| Jan | 5.64 | 5.70 | 5.52 | 5.39 |
| March | 6.13 | 6.21 | 6.08 | 5.23 |
| May | 6.35 | 6.41 | 6.23 | 6.46 |
| July | 6.55 | 6.59 | 6.55 | 6.64 |
| Oct | 6.77 | 6.85 | 6.77 | 6.85 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 62.37 | 62.45 | 61.67 | 62.27 |
| Dec | 59.87 | 59.95 | 59.30 | 59.82 |
| Feb | 58.57 | 58.72 | 58.20 | 58.62 |
| April | 58.32 | 58.65 | 58.25 | 58.50 |
| June | 58.87 | 59.25 | 58.80 | 59.00 |
| Aug | 57.75 | 57.77 | 57.50 | 57.60 |

LIVE HOGS 30,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 58.47 | 58.70 | 58.10 | 58.10 |
| Dec | 57.20 | 57.40 | 56.70 | 57.37 |
| Feb | 55.62 | 56.00 | 55.10 | 55.72 |
| April | 50.50 | 50.70 | 49.60 | 50.17 |
| June | 51.72 | 51.85 | 50.70 | 51.27 |
| July | 50.70 | 50.70 | 49.95 | 50.65 |
| Aug | 47.70 | 47.90 | 47.00 | 47.30 |
| Oct | 44.40 | 44.40 | 44.30 | 44.15 |
| Dec | 4.05 | 44.00 | 43.75 | 44.25 |

MAIZE 5,000 bu min, cents/56lb-bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 149.4 | 151.4 | 149.2 | 150.2 |
| Dec | 162.4 | 163.4 | 162.0 | 162.6 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

PORK BELLIES 38,000lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

SOYABEANS 5,000 bu min, cents/60-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

SOYABEAN MEAL 100 tons, $/ton

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

SOYABEAN OIL 60,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

WHEAT 5,000 bu min, cents/60lb-bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 280.4 | 282.2 | 259.6 | 259.0 |
| Dec | 265.2 | 266.0 | 263.4 | 264.2 |
| March | 262.0 | 262.6 | 259.8 | 261.6 |
| May | 249.0 | 249.8 | 248.6 | 248.4 |
| July | 242.0 | 242.4 | 241.6 | 242.0 |
| Sept | 242.0 | — | — | 242.0 |

SPOT PRICES—Chicago loose lard 12.00 (14.00) cents per pound. Handy and Harman silver bullion 533.5 (540.5) cents per troy ounce.

### OIL

Mid-September Ninian sold at $14.90. In the Brent market, the emphasis was on exchanges from October into November at 10c a barrel or less premium for October. Outright sales were low, but price levels were up on the day. October WTI on Nymex opened 5c down but traded 4c up at 1.30 pm EDT. Trading during the morning was concentrated upon November. Heavy fuel oil rose on good buying interest but buyers were less keen on gasoline. Gas oil and naphtha were quiet—Petroleum Argus, London.

| | Latest | Change + or — |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—Sept. | | |
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 14.95-14.85* | — |
| Brent Blend | 15.00-16.20 | +0.15 |
| W.T.I. (1pm est) | 16.10-16.20* | -0.10 |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 199-204 | — |
| Gas Oil | 132-134 | — |
| Heavy fuel oil | 76-77 | +1.5 |
| Naphtha | 120-123 | -1 |

* October.

### GAS OIL FUTURES

| Month | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| Sep | 134.25 | +0.75 | 134.25-31.00 |
| Oct | 132.50 | +1.00 | 132.75-37.00 |
| Nov | 143.75 | +1.25 | 143.75-42.00 |
| Dec | 148.00 | +1.50 | 148.00-45.00 |
| Jan | 150.00 | +1.50 | 150.00-47.50 |
| Feb | — | — | — |

Turnover: 3,204 (3,821) lots of 100 tonnes.

### RUBBER

PHYSICALS—Closing prices (buyers): Spot 60.50p (61.00p); Oct 60.00p (60.50p); Nov 60.00p (60.50p). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No 1 218.0 (same) and SMR 20 189.5 (189.0).

FUTURES—Index 597, Oct 597-602, Oct/Dec 597-602, Jan/March 607-610, April/June 619-624, July/Sept 621-627. Sales: Nil.

### SUGAR

Persistent long liquidation attributed to Cuba forced prices lower, reports C. Czarnikow.

LONDON DAILY PRICE—Raw sugar $122.00 (£81.00), up $1.00 (unchanged) a tonne for September-October delivery. White sugar $183.00, up $3.00.

| No. 6 Contract | Yest'rdy's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Oct | 115.-114.0 | 116.6-116.8 | 116.4-115.0 |
| Dec | 122.6-123.4 | 124.0-126.0 | 126.0 |
| Mar | 137.2-137.8 | 139.4-138.6 | 139.4-137.4 |
| May | 142.0-142.4 | 144.8-145.0 | 145.0-142.2 |
| Aug | 147.8-149.0 | 150.6-151.0 | — |
| Oct | 151.4-152.6 | 154.6-154.0 | — |
| Dec | 155.0-156.0 | 158.0-160.0 | — |

Sales 2,144 (4,670) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £182.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for September 3: Daily price 4.85 (4.65): 15-day average 5.04 (5.12).

### FREIGHT FUTURES

The dry cargo market eased as short-covering ceased. The large premium of futures over the BFI caused fresh selling, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| Dry Cargo | | | |
| Oct. | 795/802 | 817/799 | 823/830 |
| Jan. | 802/805 | 820/803 | 823/837 |
| April | 830/840 | 870/840 | 865/880 |
| July | 753/756 | 760/755 | 760/768 |
| Oct. | 850/860 | 875/858 | 830/875 |
| Jan. | 850/878 | 857.5 | 826/895 |
| Apr. | 925/945 | 930/925 | 930/935 |
| July | 870/895 | 885 | 870/900 |
| BFI. | 714.0 | — | 700.0 |

Turnover: 649.

| | Close | High/Low | Prev. |
|---|---|---|---|
| Tankers | | | |
| Sep. | 980/1020 | 1000 | 1010/1050 |
| Oct. | 1180/1270 | — | 1250 |
| Dec. | 1296/1370 | — | 1150/1200 |
| Mar. | 1080/1150 | — | 1075/1160 |
| June. | 1250 | 1200 | 1160/1240 |
| BTI | 1103.0 | — | 1175.5 |

Turnover: 8.

## Tin producers seek exchange

TIN PRODUCING countries must find an alternative to the London Metal Exchange to operate with metal brokers worldwide, delegates at the executive committee of the Association of Tin Producing Countries said, reports Reuter.

The countries at the meeting also set up a work group to study how competitive tin is in comparison with other products, such as aluminium and plastic.

The delegates agreed to seek measures to increase tin prices without having to reduce world output.

World tin stocks fell from 90,000 tonnes in January to 60,000 tonnes in July, they said. This year, Malaysia's output is estimated at 27,500 tonnes, against 26,000 by Brasil and 23,000 from Indonesia.

● The number of tin mines operating in Thailand fell to 313 last month from 633 a year earlier, the mineral resources department said.

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar down from firmer start

The dollar retreated from opening levels in currency markets yesterday but recovered a little towards the close to finish slightly up from Wednesday. Trading was rather confused for much of the day. The market was still uncertain about what action the US authorities may take to try to correct growing trade and budget deficits. At the same time there was some concern about longer term inflationary trends which tended to deter speculators from pushing the dollar through recent support levels.

Against this background the dollar was confined to a fairly narrow range. There was no news to affect trading and today's US unemployment figures are not expected to cause much of a stir.

The dollar closed at DM 2.0295 against the D-Mark, up from a low of DM 2.0215 and DM 2.0265 on Wednesday. Against the yen it rose to Y154.90 from Y154.65 and SFr 1.6425 compared with SFr 1.6350. It was also higher against the French franc at FFr 6.6525 from FFr 6.6450. On Bank of England figures, the dollar's exchange rate index was 110.0 from 110.1.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. August average 1.4870. Exchange rate index rose to 71.7 from an opening level of 71.5 and 71.4 on Wednesday. The six months ago figure was 73.3.

Sterling benefited from higher oil prices and speculation that Wednesday's fund raising by the UK authorities was intended to underpin sterling. Against the D-Mark it rose to DM 3.0525 from DM 3.0375 and Y233.0 compared with Y232.0. Elsewhere it rose to SFr 2.47 from SFr 2.4525 and FFr 10.0075 from FFr 9.9650. Against the dollar it improved to $1.5045 from $1.4995.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0240. August average 2.0624. Exchange rate index 140.6 against 126.0 six months ago.

The D-Mark was higher against the dollar in Frankfurt yesterday with currencies confined to a narrow range in the absence of any fresh economic data. West German data concerning a rise in new industry orders and net currency reserves were ignored. The dollar closed at DM 2.0270 down from DM 2.0330 on Wednesday but up from the day's low touched when traders tried unsuccessfully to establish the rate below DM 2.0250. Earlier in the day it had been fixed at DM 2.0258 from DM 2.0368 on Wednesday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15. Exchange rate index 215.7 against 190.7 six months ago.

The yen showed little overall change against the dollar in Tokyo with trading confined to a relatively narrow range. The US unit closed at Y155.10 against Y154.70 in New York and Y154.55 in Tokyo on Wednesday. While the dollar's undertone remained bearish there was persistent buying at the day's low of Y154.70, touched at the opening. It reached a high of Y155.20 but lacked further support and soon fell back.

### £ IN NEW YORK

| Sept. 4 | Close | Prev. close |
|---|---|---|
| Spot | $1.5025-1.5055 | $1.4985-1.4995 |
| 1 month | 0.54-0.51 pm | 0.54-0.52 pm |
| 6 months | 1.67-1.63 pm | 1.52-1.50 pm |
| 12 months | 5.25-5.15 pm | 5.27-5.17 pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT—FORWARD AGAINST POUND

| Sept 4 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4940-1.5070 | 1.5040-1.5060 | 0.52-0.50c pm | 4.11 | 1.54-1.49pm | 4.03 |
| Canada | 2.0755-2.0890 | 2.0870-2.0880 | 0.36-0.25c pm | 1.72 | 0.86-0.71pm | 1.50 |
| Nethlnd. | 3.42½-3.44½ | 3.44¼-3.44½ | 1½-1⅜c pm | 4.78 | 4⅛-4pm | 4.83 |
| Belgium | 62.90-63.30 | 63.15-63.25 | 17-13c pm | 2.84 | 44-37pm | 2.56 |
| Denmark | 11.50½-11.58½ | 11.55½-11.56 | 1-¼ore pm | 0.65 | ¼-1¼dis | −0.29 |
| Ireland | 1.1040-1.1110 | 1.1005-1.1015 | 0.05-0.10c dis | −0.82 | 0.10-0.25dis | −0.64 |
| W. Ger. | 3.0370-3.0530 | 3.0520-3.0530 | 1½-1¼pf pm | 5.41 | 4⅛-4pm | 5.41 |
| Portugal | 217.05-219.50 | 217.50-219.15 | 100-175c dis | −7.56 | 270-460dis | −6.97 |
| Spain | 198.35-199.85 | 199.50-199.75 | 80-85c dis | −4.05 | 100-165dis | −2.65 |
| Italy | 2096-2106 | 2104-2106 | 1-5 lire dis | −1.71 | 7-11dis | −1.71 |
| Norway | 10.80¼-10.95 | 10.93½-10.94 | ¼-¾ore dis | −3.42 | 11½-12½dis | −4.32 |
| France | 9.93½-11.00 | 10.00½-11.00 | 2⅛-2¼c pm | 2.71 | 6⅛-5⅞pm | 2.28 |
| Sweden | 10.29½-10.34 | 10.33-10.33½ | ¼pm-¼ore dis | −0.26 | 1¼-1½dis | −0.31 |
| Japan | 232-233½ | 232½-233½ | 1½-1¼y pm | 6.16 | 3-2¾pm | 4.94 |
| Austria | 21.40-21.50 | 21.45-21.50 | 9-7¼gro pm | 4.70 | 25½-22½pm | 4.40 |
| Switz. | 2.45½-2.47½ | 2.46¼-2.47¼ | 1¼-1⅛c pm | 6.07 | 3½-3¼pm | 5.78 |

Belgian rate is for convertible francs. Financial franc 63.85-63.95.
Six-month forward dollar 2.82-2.77c pm. 12-month 5.25-5.15c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Sept 4 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4940-1.5070 | 1.5040-1.5060 | 0.52-0.50c pm | 4.11 | 1.54-1.49pm | 4.03 |
| Ireland† | 1.3620-1.3690 | 1.3640-1.3650 | 0.65-0.20c pm | 4.20 | 1.50-1.30pm | 4.57 |
| Canada | 1.3860-1.3880 | 1.3870-1.3880 | 0.26-0.28c pm | 2.36 | 0.85-0.91pm | 2.55 |
| Nethlnd. | 2.2800-2.2990 | 2.2885-2.2895 | 0.15-0.12c pm | 0.70 | 0.38-0.34pm | 0.64 |
| Belgium | 41.88-42.06 | 41.95-42.05 | 4-6c dis | −1.28 | 14-17dis | −1.48 |
| Denmark | 7.65½-7.69½ | 7.68-7.68½ | 2.00-2.50ore dis | −3.52 | 6.35-6.85dis | −3.47 |
| W. Ger. | 2.0215-2.0330 | 2.0290-2.0300 | 0.25-0.22pf pm | 1.28 | 0.67-0.62pm | 1.27 |
| Portugal | 144⅛-145½ | 144⅛-145 | 100-150c dis | −10.34 | 330-470dis | −11.02 |
| Spain | 132.30-133.25 | 132.55-132.65 | 82-92c dis | −7.86 | 215-245dis | −6.93 |
| Italy | 1395-1402 | 1399-1400 | 6-7½ lire dis | −5.79 | 20-21½dis | −5.93 |
| Norway | 7.25¼-7.29¼ | 7.26¾-7.27¼ | 4.75-5.15ore dis | −8.17 | 16.30-16.70d | −8.52 |
| France | 6.6220-6.6690 | 6.6520-6.6530 | 0.88-0.78c pm | 1.32 | 2.55-2.15pm | 1.41 |
| Sweden | 6.85-6.89 | 6.86½-6.87 | 2.10-2.40ore dis | −3.93 | 6.25-6.65dis | −3.76 |
| Japan | 154.15-155.20 | 154.85-154.95 | 0.15-0.10y pm | 0.97 | 0.42-0.37pm | 1.02 |
| Austria | 14.24-14.30½ | 14.29-14.29½ | 1½-1gro pm | 0.84 | 2½-1pm | 0.49 |
| Switz. | 1.6315-1.6435 | 1.6420-1.6430 | 0.28-0.24c pm | 1.94 | 0.74-0.69pm | 1.79 |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 42.40-42.50.

### CURRENCY MOVEMENTS

| Sept. 4 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 71.7 | −21.0 |
| U.S. Dollar | 115.0 | +1.8 |
| Canadian Dollar | 77.1 | −13.5 |
| Austrian Schilling | 131.8 | +8.2 |
| Belgian Franc | 97.0 | −6.3 |
| Danish Kroner | 88.5 | +0.5 |
| Deutsche Mark | 140.6 | +18.2 |
| Swiss Franc | 169.6 | +22.6 |
| Guilder | 129.8 | +11.9 |
| French Franc | 69.8 | −13.7 |
| Lira | 47.7 | −16.1 |
| Yen | 215.7 | +60.2 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Sept. 4 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.809110 | 0.689585 |
| US $ | 5½ | 1.21586 | 1.03709 |
| Canadian $ | 8.63 | * | 1.43948 |
| Austria Sch | 4 | 17.3483 | 14.7889 |
| Belgian Fr. | 8 | 51.0171 | 43.6137 |
| Danish Kr. | 7 | 9.32752 | 7.95241 |
| D'mark | 3½ | — | 2.10114 |
| Guilder | 4½ | 2.77948 | 2.37037 |
| French Fr. | 9½ | 8.07264 | 6.88576 |
| Lira | 12 | — | 1450.37 |
| Yen | 3½ | 188.457 | 159.334 |
| Norway Kr. | 8 | 8.86604 | 7.53706 |
| Span'h Pts. | — | 161.448 | 137.622 |
| Swedish Kr. | 8 | 8.35016 | 7.11651 |
| Swiss Fr | 4 | 1.98974 | 1.69720 |
| Greek Drch | 20½ | 162.535 | 138.739 |
| Irish Punt | — | — | 0.754252 |

* C$/SDR rate for September 3: 1.68141

### EXCHANGE CROSS RATES

| Sept. 4 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.505 | 3.053 | 233.0 | 10.01 | 2.470 | 3.445 | 2100. | 2.088 | 63.20 |
| $ | 0.665 | 1. | 2.029 | 154.9 | 6.652 | 1.642 | 2.290 | 1399. | 1.388 | 42.01 |
| DM | 0.328 | 0.493 | 1. | 76.33 | 3.278 | 0.809 | 1.128 | 689.6 | 0.684 | 20.70 |
| YEN | 4.292 | 6.457 | 13.10 | 1000. | 42.95 | 10.60 | 14.79 | 9034. | 8.959 | 271.2 |
| F Fr. | 0.999 | 1.503 | 3.050 | 232.8 | 10. | 2.468 | 3.442 | 2103. | 2.086 | 63.15 |
| S Fr. | 0.405 | 0.609 | 1.236 | 94.33 | 4.052 | 1. | 1.395 | 852.2 | 0.845 | 25.59 |
| H Fl. | 0.290 | 0.437 | 0.886 | 67.62 | 2.905 | 0.717 | 1. | 611.5 | 0.606 | 18.35 |
| Lira | 0.476 | 0.715 | 1.450 | 110.7 | 4.754 | 1.173 | 1.637 | 1000. | 0.992 | 30.02 |
| C $ | 0.479 | 0.721 | 1.462 | 111.6 | 4.794 | 1.183 | 1.650 | 1008. | 1. | 30.26 |
| B Fr. | 1.582 | 2.381 | 4.830 | 368.7 | 15.83 | 3.908 | 5.451 | 3331. | 3.305 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| Sept. 4 | Short term | 7 Days notice | 1 Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10-10¼ | 10⅛-10¼ | 10⅛-10¼ | 9⅞-10 | 9 13/16-9 15/16 | 9⅝-9¾ |
| U.S. Dollar | 5 13/16-6 1/16 | 5¾-5⅞ | 5 13/16-5 15/16 | 5 13/16-5 15/16 | 5 13/16-5 15/16 | 5 13/16-5 15/16 |
| Can Dollar | 8-8¼ | 8-8¼ | 8¼-8⅜ | 8¼-8⅜ | 8⅜-8½ | 8⅜-8½ |
| D Guilder | 5¼-5⅜ | 5¼-5⅜ | 5⅜-5½ | 5⅛-5¼ | 5-5⅛ | 5-5⅛ |
| Sw. Franc | 1¾-2 | 1¾-2 | 3 15/16-4 1/16 | 4-4⅛ | 4-4⅛ | 4-4⅛ |
| Deutschmrk | 4 7/16-4 9/16 | 4 7/16-4 9/16 | 4 7/16-4 9/16 | 4 7/16-4 9/16 | 4 7/16-4 9/16 | 4 7/16-4 9/16 |
| Fr. Franc | 7-7⅛ | 7-7⅛ | 7⅛-7¼ | 7¼-7⅜ | 7 5/16-7 7/16 | 7 5/16-7 7/16 |
| Italian Lira | 10-11 | 10¾-12¼ | 11⅛-12¼ | 11⅛-11⅞ | 11-11⅛ | 10¾-11¼ |
| B.Fr.(Fin) | 7⅛-7⅜ | 7⅛-7⅜ | 7¼-7⅜ | 7⅛-7⅜ | 7-7¼ | 7-7¼ |
| B.Fr.(Con) | 7-7⅛ | 7-7⅛ | 7-7⅛ | 7-7⅛ | 7-7⅛ | 7-7⅛ |
| Yen | 4 13/16-5 | 4 13/16-4⅞ | 5⅛-5¼ | 4 13/16-4⅞ | 4 11/16-4¾ | 4 11/16-4¾ |
| D. Krone | 8⅞-9⅛ | 9⅜-9⅞ | 9⅜-10 | 10-10⅛ | 10⅜-10⅞ | 10⅜-10⅞ |
| Asian $ (Sng) | 5⅞-6 | 5⅞-6 | 5⅞-6 | 5¾-5⅞ | 5 11/16-5 13/16 | 5 13/16-5 15/16 |

### OTHER CURRENCIES

| Sept. 4 | £ | $ |
|---|---|---|
| Arg'tina | 1.5560-1.5620 | 1.0350-1.0380 |
| Aus'alia | 2.4440-2.4475 | 1.6250-1.6270 |
| Brazil | 20.700-20.830 | 13.770-13.840 |
| Finland | 7.3225-7.3340 | 4.8710-4.8730 |
| Greece | 198.85-202.50 | 132.95-135.15 |
| H'kong | 11.7235-11.7428 | 7.7985-7.8005 |
| Iran | 112.90* | 75.40* |
| Kuwait | 0.4390-0.4403 | 0.29180-0.29270 |
| Lux'burg | 63.85-63.95 | 42.40-42.50 |
| Malaysia | 3.9060-3.9160 | 2.5960-2.6115 |
| N'Z'land | 3.1125-3.1225 | 2.0705-2.0770 |
| Saudi Ar. | 5.6410-5.6460 | 3.7495-3.7500 |
| Sin'pore | 3.2390-3.2465 | 2.1535-2.1575 |
| S.Af (Cm) | 3.5640-3.6086 | 2.3855-2.3920 |
| S.Af (Fn) | 6.9960-7.1375 | 4.6610-4.6790 |
| U.A.E. | 5.5250-5.5305 | 3.6725-3.6735 |

* selling rate

### STERLING INDEX

| | Sept 4 | Previous |
|---|---|---|
| 8.30 am | 71.5 | 71.3 |
| 9.00 am | 71.5 | 71.3 |
| 10.00 am | 71.6 | 71.4 |
| 11.00 am | 71.6 | 71.4 |
| Noon | 71.6 | 71.3 |
| 1.00 pm | 71.6 | 71.5 |
| 2.00 pm | 71.7 | 71.6 |
| 3.00 pm | 71.7 | 71.5 |
| 4.00 pm | 71.7 | 71.4 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu September 4 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.1139 | 43.6137 | +0.83 | +0.86 | ±1.5368 |
| Danish Krone | 7.81701 | 7.95241 | +1.73 | +1.68 | ±1.6403 |
| German D-mark | 2.11083 | 2.10114 | −0.46 | −0.51 | ±1.1127 |
| French Franc | 6.87316 | 6.88576 | +0.18 | +0.13 | ±1.3659 |
| Dutch Guilder | 2.37833 | 2.37037 | −0.33 | −0.38 | ±1.5069 |
| Irish Punt | 0.764976 | 0.764262 | −0.09 | −0.14 | ±1.6683 |
| Italian Lira | 1476.95 | 1450.37 | −1.80 | −1.80 | ±4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## FINANCIAL FUTURES

# Bonds and gilts fall

US TREASURY bond and long-term gilt futures weakened on the London International Financial Futures Exchange yesterday. Trading began on an optimistic note, with dealers hoping the downward correction in bonds, as a result of fears about higher inflation, had run its course. December bonds opened slightly firmer at 98-09, based on a firm market in Tokyo, where dealers appeared unwilling to sell at present levels. The contract rose to a peak of 98-25, but fell back to 98-05 when Chicago opened. It touched a low of 97-24, and closed at 97-31, compared with 98-05 when Chicago opened. It London close Chicago again took December bonds lower, down to 97-17, in very nervous and volatile trading. Dealers commented that a factor behind the contract's weakness was a rumour that today's figures will show a rise of 220,000 in US non-farm employment, compared with earlier expectations of around 150,000. US unemployment in August is expected to be unchanged at 6.9 per cent.

Long-term gilts for December delivery opened higher at 120-15, encouraged by the better performance of sterling on the foreign exchanges and the early strength of US bonds. The later decline, to a close of 119-19, against 120-06 on Wednesday, reflected a squeeze by stockjobbers and the turnround in the US bond market.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike price | Calls—Last Dec | Mar | June | Sept | Puts—Last Dec | Mar | June | Sept |
|---|---|---|---|---|---|---|---|---|
| 116 | 4.29 | 5.21 | — | — | 0.55 | 1.47 | — | — |
| 118 | 3.07 | 4.09 | — | — | 1.33 | 2.32 | — | — |
| 120 | 2.03 | 3.04 | — | — | 2.29 | 3.30 | — | — |
| 122 | 1.17 | 2.14 | — | — | 3.43 | 4.40 | — | — |
| 124 | 0.47 | 1.38 | — | — | 5.09 | 5.62 | — | — |
| 126 | 0.25 | 1.05 | — | — | 6.51 | 7.31 | — | — |
| 128 | 0.12 | 0.45 | — | — | 8.38 | 9.07 | — | — |
| 130 | 0.06 | — | — | — | 10.32 | — | — | — |

Estimated volume total, Calls 753, Puts 290
Previous day's open int. Calls 7,203, Puts 2,149

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike price | Calls—Last Dec | Mar | June | Sept | Puts—Last Dec | Mar | June | Sept |
|---|---|---|---|---|---|---|---|---|
| 88 | 10.14 | — | — | — | 0.16 | — | — | — |
| 90 | 8.28 | — | — | — | 0.30 | — | — | — |
| 92 | 6.51 | 7.20 | — | — | 0.53 | 2.16 | — | — |
| 94 | 5.20 | 6.05 | — | — | 1.22 | 3.03 | — | — |
| 96 | 4.02 | 4.62 | — | — | 2.04 | 3.60 | — | — |
| 98 | 2.61 | 4.01 | — | — | 2.62 | 4.63 | — | — |
| 100 | 2.06 | 3.13 | — | — | 4.08 | 6.11 | — | — |
| 102 | 1.27 | 2.33 | — | — | 5.29 | 7.31 | — | — |

Estimated volume total, Calls 105, Puts 52
Previous day's open int. Calls 298, Puts 849

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike price | Calls—Last Sept | Oct | Nov | Dec | Puts—Last Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| 130 | 20.45 | — | — | 20.45 | 0.00 | — | — | 0.09 |
| 135 | 15.45 | 15.45 | 15.45 | 15.46 | 0.00 | 0.00 | 0.00 | 0.24 |
| 140 | 10.45 | 10.45 | 10.45 | 10.45 | 0.00 | 0.04 | 0.33 | 1.01 |
| 145 | 5.45 | 5.45 | 5.54 | 6.21 | 0.01 | 0.45 | 1.28 | 2.39 |
| 150 | 1.16 | 1.99 | 2.82 | 3.52 | 0.86 | 2.12 | 3.34 | 4.70 |
| 155 | 0.03 | 0.45 | 0.98 | 1.77 | 4.73 | 5.59 | 6.70 | 7.95 |
| 160 | 0.00 | 0.00 | 0.28 | 0.79 | 9.70 | 10.19 | 11.00 | 11.87 |

Estimated volume total, Calls 2, Puts 58
Previous day's open int. Calls 4,380, Puts 5,361

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last Sept | Oct | Nov | Dec | Puts—Last Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| 135 | 15.50 | — | — | 19.80 | 0.50 | — | — | 1.50 |
| 140 | 10.50 | 10.50 | 10.50 | 10.80 | 0.20 | 0.20 | 0.75 | 1.10 |
| 145 | 5.50 | 5.70 | 6.20 | 6.50 | 0.20 | 0.80 | 1.65 | 2.50 |
| 150 | 1.30 | 2.30 | 3.25 | 3.70 | 0.95 | 2.60 | 4.00 | 4.90 |
| 155 | 0.20 | 0.75 | 1.50 | 1.90 | 5.10 | 6.00 | 7.35 | 8.10 |
| 160 | 0.20 | — | — | 0.55 | 10.10 | — | — | 12.10 |
| 165 | 0.20 | — | — | 0.70 | 17.40 | — | — | 18.70 |

Previous day's open int. Calls 4,528, Puts 2,510
Volume, 12

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last Sept | Oct | Nov | Dec | Puts—Last Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 20.15 | — | — | 20.05 | — | — | — | 0.10 |
| 1.35 | 15.15 | 15.15 | — | 15.05 | — | 0.05 | — | 0.30 |
| 1.40 | 10.15 | 10.15 | 10.15 | 10.20 | — | 0.10 | 0.50 | 0.95 |
| 1.45 | 5.20 | 5.50 | 6.00 | 6.45 | — | 0.65 | 1.50 | 2.15 |
| 1.50 | 1.15 | 2.10 | 2.80 | 4.00 | 0.80 | 2.40 | 3.40 | 4.70 |
| 1.55 | — | 0.65 | 1.15 | 1.85 | 4.45 | 5.75 | 6.60 | 7.50 |
| 1.60 | — | 0.05 | 0.35 | 0.80 | 9.40 | — | 10.60 | 11.50 |

Previous day's open int. Calls —, Puts —
Previous day's volume, Calls —, Puts —

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike price | Calls—Last Sept | Dec | Mar | June | Puts—Last Sept | Dec | Mar | June |
|---|---|---|---|---|---|---|---|---|
| 92.25 | 1.95 | 1.96 | 1.88 | — | 0.00 | 0.00 | 0.01 | — |
| 92.50 | 1.70 | 1.71 | 1.64 | — | 0.00 | 0.00 | 0.02 | — |
| 92.75 | 1.45 | 1.46 | 1.41 | — | 0.00 | 0.00 | 0.04 | — |
| 93.00 | 1.20 | 1.22 | 1.18 | — | 0.00 | 0.01 | 0.06 | — |
| 93.25 | 0.95 | 0.98 | 0.97 | — | 0.00 | 0.02 | 0.10 | — |
| 93.50 | 0.70 | 0.75 | 0.77 | — | 0.00 | 0.04 | 0.15 | — |
| 93.75 | 0.45 | 0.54 | 0.58 | — | 0.00 | 0.08 | 0.21 | — |

Previous day's open int. Calls 2,173, Puts 2,141
Estimated volume, Calls 101, Puts 87

### LONDON

**20-YEAR 12% NOTIONAL GILT**
£50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 119-15 | 120-11 | 119-26 | 120-03 |
| Dec | 119-19 | 120-30 | 119-16 | 120-06 |
| March | 119-18 | — | — | 120-06 |
| June | 119-18 | — | — | 120-06 |

Est. Volume 7,643 (13,919)
Previous day's open int. 15,293 (15,419)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

**10% NOTIONAL SHORT GILT**
£100,000 64ths of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 101-18 | 101-28 | 101-18 | 101-19 |
| Dec | 101-06 | 101-16 | 101-04 | 101-12 |
| March | 101-06 | — | — | — |

Est. Volume 349 (357)
Previous day's open int. 1,338 (1,273)

**FT-SE 100 INDEX**
£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 170.00 | 171.00 | 170.00 | 170.30 |
| Dec | 173.80 | 174.30 | 173.80 | 173.55 |
| March | 175.80 | — | — | 176.85 |

Est. Volume 318 (498)
Previous day's open int. 2,506 (2,447)

**THREE-MONTH EURODOLLAR**
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.30 | 94.35 | 94.19 | 94.20 |
| Dec | 94.21 | 94.26 | 94.20 | 94.20 |
| March | 94.12 | 94.15 | 94.12 | 94.11 |
| June | 93.92 | 93.96 | 93.84 | 93.91 |
| Sept | 93.60 | 93.70 | 93.52 | 93.61 |
| Dec | 93.22 | 93.28 | 93.23 | 93.24 |
| March | 92.94 | — | — | 92.90 |

Est. Volume 6,201 (8,535)
Previous day's open int. 23,004 (8,537)

**THREE-MONTH STERLING**
£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 90.16 | 90.18 | 90.15 | 90.17 |
| Dec | 90.66 | 90.70 | 90.65 | 90.62 |
| March | 90.73 | 90.74 | 90.72 | 90.70 |
| June | 90.62 | 90.62 | 90.62 | 90.62 |
| Sept | 90.32 | 90.34 | 90.30 | 90.32 |

Est. Volume 1,894 (3,063)
Previous day's open int. 15,895 (15,031)

**US TREASURY BONDS 8%**
$100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 98-21 | 98-17 | 98-22 | 98-30 |
| Dec | 97-31 | 98-25 | 97-24 | 98-05 |
| March | 97-01 | — | — | 97-10 |

Est. Volume 7,081 (9,828)
Previous day's open int. 5,897 (5,672)

### CHICAGO

**US TREASURY BONDS (CBT)**
8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 98-20 | 98-18 | 98-23 | 98-29 |
| Dec | 98-04 | 98-28 | 97-28 | 98-04 |
| March | 97-07 | 97-28 | 97-00 | 97-08 |
| June | 96-04 | 96-27 | 96-02 | 96-07 |
| Sept | 95-04 | 95-27 | 95-04 | 95-09 |
| Dec | 94-08 | 94-30 | 94-08 | 94-31 |
| March | 93-15 | 94-08 | 93-15 | 93-02 |
| June | 92-24 | 93-17 | 92-24 | 92-29 |
| Sept | — | — | — | — |
| Dec | — | — | — | 91-23 |
| March | — | — | — | 91-07 |

**CERT. DEPOSIT (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | — | — | — | 94.52 |
| Dec | — | — | — | 94.51 |

**US TREASURY BILLS (IMM)**

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | — | 94.84 | 94.80 | 94.78 |
| Dec | 94.90 | 94.94 | 94.88 | 94.88 |
| March | — | 94.93 | 94.88 | 94.87 |
| June | 94.74 | 94.77 | 94.73 | 94.71 |
| Sept | 94.48 | 94.52 | 94.48 | 94.46 |
| Dec | 94.12 | 94.18 | 94.12 | 94.11 |
| March | 93.78 | 93.83 | 93.77 | 93.76 |
| June | 93.42 | 93.48 | 93.42 | 93.41 |

**THREE-MONTH EURODOLLAR (IMM)**
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.19 | 94.22 | 94.17 | 94.16 |
| Dec | 94.19 | 94.25 | 94.17 | 94.17 |
| March | — | 94.18 | 94.08 | 94.07 |
| June | — | 93.96 | 93.88 | 93.86 |
| Sept | 93.59 | 93.65 | 93.57 | 93.56 |
| Dec | 93.21 | 93.29 | 93.19 | 93.19 |
| March | 92.83 | 92.91 | 92.81 | 92.81 |
| June | 92.44 | 92.53 | 92.42 | 92.42 |

### CURRENCY FUTURES

**POUND—$ (FOREIGN EXCHANGE)**

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5045 | 1.4994 | 1.4940 | 1.4786 | 1.4526 |

**IMM—STERLING $s per £**

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.5045 | 1.5085 | 1.5020 | 1.4970 |
| Dec | 1.4905 | 1.4920 | 1.4870 | 1.4825 |
| March | 1.4740 | 1.4790 | 1.4740 | 1.1690 |
| June | 1.4600 | 1.4680 | 1.4600 | 1.4655 |

**LIFFE—STERLING £25,000 $ per £**

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.5030 | 1.5080 | 1.4980 | 1.4955 |
| Dec | 1.4882 | 1.4880 | 1.4820 | 1.4808 |
| March | 1.4780 | — | — | 1.4683 |

Est. Volume 148 (111)
Previous day's open int. 1,276 (1,330)

## MONEY MARKETS

# Little change in London rates

THE LONDON money market remained very quiet yesterday, with short-term interest rates showing little change. Three-month interbank was unchanged at 9⅞-10 per cent. Discount houses may have been reluctant to bid for overnight funds because of expectations that refunds on petroleum revenue tax would improve liquidity. The houses also tended to sell fewer bills than required to take out the underlying shortage.

The Bank of England initially forecast a money market shortage of £600m, but this was revised to £650m at noon. Total assistance on the day was £514m.

Before lunch the authorities bought £132m bills outright by way of £110m bank bills in band 2 at 9 25/32 per cent; and £22m bank bills in band 3 at 9¾ per cent.

In the afternoon the Bank of England purchased £167m bills outright, through £71m bank bills in band 2 at 9 25/32 per cent; £1m Treasury bills in band 3 at 9¾ per cent; and £95m bank bills in band 3 at 9¾ per cent.

Late assistance of around £215m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £728m, with a rise in the note circulation absorbing £25m, and bank balances below target £50m. These outweighed Exchequer transactions adding £190m to liquidity.

There were signs of a general slight easing of interest rates on the Continent yesterday. The Italian Treasury is to offer L2,750bn of six-month and 12-month Treasury bills at its mid-September auction at rates of 0.11 per cent and 0.19 per cent respectively below the last issue. The L1,500bn of six-month bills will have an effective annual yield of 10 per cent, and the L1,250bn of 12-month bills a yield of 10.07 per cent. The Italian Treasury also announced a cut in the coupon rates on eight long term Treasury certificate issues.

In Paris the Bank of France sold FFr 12.625bn of 7½ per cent July 2001 Treasury tap stock at its latest tender at an average yield of 7.46 per cent, compared with 7.62 per cent at the previous tender on August 7. The top accepted yield was 7.48 per cent. Bids at the auction totalled FFr 30.25bn.

UK clearing bank base lending rate 10 per cent since May 22

### NEW YORK RATES
(Lunchtime)

| | |
|---|---|
| Prime rate | 7½ |
| Broker loan rate | 6¾-7 |
| Fed funds | 5¾ |
| Fed funds at intervention | — |
| **Treasury Bills & Bonds** | |
| One month | 5.09 |
| Two month | 5.14 |
| Three month | 5.27 |
| Six month | 5.46 |
| One year | 5.66 |
| Two year | 6.11 |
| Three year | 6.35 |
| Four year | 6.57 |
| Five year | 6.85 |
| Seven year | 6.97 |
| 10 year | 7.17 |
| 30 year | 7.42 |

### MONEY RATES

| Sept. 4 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard Inv'v'tn |
|---|---|---|---|---|---|---|
| Frankfurt | 4.40-4.50 | 4.35-4.50 | 4.30-4.45 | 4.30-4.45 | 4.30-4.45 | 5.5 |
| Paris | 7 | 7⅛-7¼ | 7⅛-7⅜ | 7-7⅛ | 7-7⅛ | 7 |
| Zurich | ⅞-1⅛ | 3 15/16-4 1/16 | — | 3 15/16-4 1/16 | — | — |
| Amsterdam | 5-5⅛ | 5⅛-5¼ | — | 5⅛-5¼ | — | — |
| Tokyo | 4.84375 | 4.84375 | — | 4.71875 | — | — |
| Milan | 11⅛-11¼ | 11¼-11⅜ | — | 11⅛-11¼ | — | — |
| Brussels | 6.65 | 7⅛-7¼ | — | 7⅛-7¼ | — | — |
| Dublin | 9¼-9½ | 9⅞-10⅛ | 10⅛-10⅜ | 10⅛-10⅜ | 10¾-11 | — |

### FT LONDON INTERBANK FIXING

(11.00 a.m. September 4)

| Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 5 13/16 | Offer 5 15/16 | bid 5 13/16 | Offer 5 15/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| September 3 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 10-11 | 10-10¼ | 10 1/16-10 3/16 | 9⅞-10 | 9 13/16-9 15/16 | 9 11/16-9 13/16 |
| Sterling CDs | — | — | 10-10⅛ | 9¾-9⅞ | 9¾-9⅞ | 9⅝-9¾ |
| Local Authority Depos | 10-10¼ | 10-10⅛ | 10⅛ | 9⅞ | 9 13/16 | 9⅝-9 11/16 |
| Local Authority Bonds | — | — | 10¼ | 10⅛ | 10 1/16 | 9 15/16 |
| Discount Mkt. Depos | 10-10¼ | 10 | 9¾ | 9½ | — | — |
| Company Depos | 9⅞-10¼ | 10¼ | 10⅛-10 3/16 | 10 | 9 13/16 | 9¾ |
| Finance House Depos | — | — | 10⅛ | 9 15/16 | 9⅝ | 9⅛ |
| Treasury Bills (Buy) | — | — | 9 11/16 | 9⅝ | — | — |
| Bank Bills (Buy) | — | — | 9¾ | 9¾ | 9 11/16 | — |
| Fine Trade Bills (Buy) | — | — | 10 3/16 | 10 1/16 | 9 15/16 | — |
| Dollar CDs | — | — | 5.75-5.80 | 5.60-5.65 | 5.60-5.65 | 5.75-5.80 |
| SDR Linked Depos | — | — | 5 11/16-6 1/16 | 5 13/16-6⅛ | 5¾-6 | 5 11/16-6 1/16 |
| ECU Depos | — | — | 6¾-7 | 7⅛-7¼ | 6 15/16-7 1/16 | 6⅞-7 |

Treasury Bills (sell): one month 9 19/32 per cent; three months 9⅝ per cent. Bank Bills (sell): one month 9 23/32 per cent; three months 9 27/32 per cent. Treasury Bills: Average tender rate at discount 9.3363 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent nine-12 months 9½ per cent. Under £100,000 9½ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

# $WORLD VALUE OF THE DOLLAR
BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 3, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of September 3, at 11.00 a.m.
3 months: 5 13/16 6 months: 5 13/16

ECU=$US1.03137 SDR1=$US1.2121
Sibor as of September 3, at 11.00 a.m.
3 months: 5 13/16 6 months: 5 13/16

| COUNTRY | CURRENCY | VALUE OF DOLLAR |
|---|---|---|
| Afghanistan | Afghani (o) | 50.60 |
| Albania | Lek | 6.7649 |
| Algeria | Dinar | 4.63 |
| Andorra | French Franc<br>Spanish Peseta | 6.673<br>133.25 |
| Angola | Kwanza | 29.918 |
| Antigua | E. Caribbean $ | 2.70 |
| Argentina | Austral (5) | 1.0365 |
| Aruba | Florin | 1.79 |
| Australia | Dollar | 1.6372 |
| Austria | Schilling | 14.33 |
| Azores | Portuguese Escudo | 145.50 |
| Bahamas | Dollar | 1.00 |
| Bahrain | Dinar | 0.3769 |
| Balearic Islands | Spanish Peseta | 133.25 |
| Bangladesh | Taka | 30.30 |
| Barbados | Dollar | 2.0113 |
| Belgium | Franc (c)<br>Franc (f) | 42.13<br>42.995 |
| Belize | Dollar | 2.00 |
| Benin | C.F.A. Franc | 333.65 |
| Bermuda | Dollar | 1.00 |
| Bhutan | Ngultrum | 12.59 |
| Bolivia | Peso (o)<br>Peso (f) | 1912000.00<br>1925000.00 |
| Botswana | Pula | 2.0088 |
| Brazil | Cruzado (o) | 13.84 |
| Brunei | Dollar | 2.155 |
| Bulgaria | Lev | 0.926 |
| Burkina Faso | C.F.A. Franc | 333.65 |
| Burma | Kyat | 7.0196 |
| Burundi | Franc | 101.229 |
| Cameroon Rp. | C.F.A. Franc | 333.65 |
| Canada | Dollar | 1.387 |
| Canary Islands | Spanish Peseta | 133.25 |
| Cape Verde Islands | Escudo | 89.2698 |
| Cayman Islands | Dollar | 0.835 |
| Central African Rep. | C.F.A. Franc | 333.65 |
| Chad | C.F.A. Franc | 333.65 |
| Chile | Peso (o) | 194.32 |
| China | Renminbi Yuan | 3.704 |
| Colombia | Peso (o) | 200.92 |
| Comoros | C.F.A. Franc | 333.65 |
| Congo People's Rep. of | C.F.A. Franc | 333.65 |
| Costa Rica | Colon | 56.675 |
| Cote d'Ivoire | C.F.A. Franc | 333.65 |
| Cuba | Peso | 0.8679 |
| Cyprus | Pound* | 1.9984 |
| Czechoslovakia | Koruna (o) | 5.85 |
| Denmark | Krone | 7.699 |
| Djibouti Rep. of | Franc | 177.00 |
| Dominica | E. Caribbean $ | 2.70 |
| Dominican Republic | Peso<br>Peso (d) | 2.81<br>2.81 |
| Ecuador | Sucre (o)<br>Sucre (f) (3) | 166.50<br>164.75 |
| Egypt | Pound (o)<br>Pound (b) | 0.70<br>1.35 |
| El Salvador | Colon<br>Colon (d) | 5.00<br>5.00 |
| Equatorial Guinea | C.F.A. Franc | 333.65 |
| Ethiopia | Birr (o) | 2.0663 |
| Faeroe Islands | Danish Krone | 7.699 |
| Falkland Islands | Pound* | 1.493 |
| Fiji | Dollar | 1.1717 |
| Finland | Markka | 4.886 |
| France | Franc | 6.673 |
| French C'ty in Africa | C.F.A. Franc | 333.65 |
| French Guiana | Franc | 6.673 |
| French Pacific Islands | C.F.P. Franc | 121.327 |
| Gabon | C.F.A. Franc | 333.65 |
| Gambia | Dalasi | 7.58 |
| Germany (East) | Ostmark (o) | 2.037 |
| Germany (West) | Deutsche Mark | 2.037 |
| Ghana | Cedi | 90.00 |
| Gibraltar | Pound* | 1.493 |
| Greece | Drachma | 133.60 |
| Greenland | Danish Krone | 7.699 |
| Grenada | E. Caribbean $ | 2.70 |
| Guadeloupe | Franc | 6.673 |
| Guam | U.S. $ | 1.00 |
| Guatemala | Quetzal (o)<br>Quetzal (h, i) | 1.00<br>2.969 |
| Guinea Bissau | Peso | 170.479 |
| Guinea Republic | Franc<br>Franc (f) | 340.00<br>300.00 |
| Guyana | Dollar | 4.3094 |
| Haiti | Gourde | 5.00 |
| Honduras Republic | Lempira<br>Lempira (d) | 2.00<br>2.00 |
| Hong Kong | Dollar | 7.801 |
| Hungary | Forint | 43.242 |
| Iceland | Krona | 40.46 |
| India | Rupee | 12.99 |
| Indonesia | Rupiah | 1133.00 |
| Iran | Rial (o) | 76.1488 |
| Iraq | Dinar | 0.3109 |
| Irish Republic | Punt* | 1.352 |
| Israel | New Shekel | 1.485 |
| Italy | Lira | 1405.00 |
| Jamaica | Dollar (o) | 5.45 |
| Japan | Yen | 155.20 |
| Jordan | Dinar | 0.3199 |
| Kampuchea | Riel | n.a. |
| Kenya | Shilling | 15.8444 |
| Kiribati | Australian Dollar | 1.6372 |
| Korea (North) | Won | 0.94 |
| Korea (South) | Won | 879.30 |
| Kuwait | Dinar | 0.2919 |
| Laos P'les D Rep. | Kip | 35.00 |
| Lebanon | Pound | 40.85 |
| Lesotho | Maloti | 2.3474 |
| Liberia | Dollar | 1.00 |
| Libya | Dinar | 0.3173 |
| Liechtenstein | Swiss Franc | 1.646 |
| Luxembourg | Luxembourg Franc | 42.13 |
| Macao | Pataca | 8.1092 |
| Madagascar Dem. Rep. | Franc | 731.98 |
| Madeira | Portuguese Escudo | 145.50 |
| Malawi | Kwacha | 2.008 |
| Malaysia | Ringgit | 2.598 |
| Maldive Islands | Rufiyaa | 7.00 |
| Mali Republic | C.F.A. Franc | 333.65 |
| Malta | Lira* | 2.6631 |
| Martinique | Franc | 6.673 |
| Mauritania | Ouguiya | 74.80 |
| Mauritius | Rupee | 12.88 |
| Mexico | Peso (d)<br>Peso (e) | 716.50<br>690.70 |
| Miquelon | French Franc | 6.673 |
| Monaco | French Franc | 6.673 |
| Mongolia | Tugrik (o) | 3.3555 |
| Montserrat | E. Caribbean $ | 2.70 |
| Morocco | Dirham | 8.78 |
| Mozambique | Metical | 40.00 |
| Namibia | S. A. Rand | 2.3474 |
| Nauru Islands | Australian Dollar | 1.6372 |
| Nepal | Rupee | 20.50 |
| Netherlands | Guilder | 2.298 |
| Netherlands Antilles | Guilder | 1.80 |
| New Zealand | Dollar | 2.0606 |
| Nicaragua | Cordoba<br>Cordoba (d) | 70.00<br>975.00 |
| Niger Republic | C.F.A. Franc | 333.65 |
| Nigeria | Naira | 1.3294 |
| Norway | Krone | 7.299 |
| Oman Sultanate of | Rial | 0.385 |
| Pakistan | Rupee | 16.958 |
| Panama | Balboa | 1.00 |
| Papua New Guinea | Kina | 0.9794 |
| Paraguay | Guarani (o.c.)<br>Guarani (d) | 240.00<br>619.50 |
| Peru | Intl. (o) | 13.95 |
| Philippines | Peso | 20.58 |
| Pitcairn Islands | N.Z. Dollar | 2.0606 |
| Poland | Zloty (o) (6) | 200.00 |
| Portugal | Escudo | 145.50 |
| Puerto Rico | U.S. $ | 1.00 |
| Qatar | Riyal | 3.641 |
| Reunion Isle de la | French Franc | 6.673 |
| Romania | Leu (o)<br>Leu (c) | 4.33<br>10.67 |
| Rwanda | Franc | 84.7373 |
| St. Christopher | E. Caribbean $ | 2.70 |
| St. Helena | Pound* | 1.493 |
| St. Lucia | E. Caribbean $ | 2.70 |
| St. Pierre | French Franc | 6.673 |
| St. Vincent | E. Caribbean $ | 2.70 |
| Samoa (Western) | Tala | 2.278 |
| Samoa (US) | US $ | 1.00 |
| San Marino | Italian Lira | 1405.00 |
| São Tomé & Principe DR | Dobra | 37.3319 |
| Saudi Arabia | Riyal | 3.751 |
| Senegal | C.F.A. Franc | 333.65 |
| Seychelles | Rupee | 5.9686 |
| Sierra Leone | Leone | 29.00 |
| Singapore | Dollar | 2.155 |
| Solomon Islands | Dollar | 1.8094 |
| Somali Republic | Shilling | 36.00 |
| South Africa | Rand (f)<br>Rand (c) | 4.7039<br>2.3474 |
| Spain | Peseta | 133.25 |
| Spanish ports in North Africa | Spanish Peseta | 133.25 |
| Sri Lanka | Rupee | 28.22 |
| Sudan Republic | Pound (o)<br>Pound (k)<br>Pound (f) | 2.45<br>2.95<br>4.00 |
| Surinam | Guilder | 1.785 |
| Swaziland | Lilangeni | 2.3474 |
| Sweden | Krona | 6.886 |
| Switzerland | Franc | 1.646 |
| Syria | Pound (o) | 3.925 |
| Taiwan | Dollar (o) | 36.93 |
| Tanzania | Shilling | 42.00 |
| Thailand | Baht | 26.07 |
| Togo Republic | C.F.A. Franc | 333.65 |
| Tonga Islands | Pa'anga | 1.6372 |
| Trinidad & Tobago | Dollar<br>Dollar (k) | 2.409<br>3.60 |
| Tunisia | Dinar (2) | 0.84 |
| Turkey | Lira | 690.71 |
| Turks & Caicos Islands | US $ | 1.00 |
| Tuvalu | Australian Dollar | 1.6372 |
| Uganda | Shilling (i) (4) | 1380.00 |
| United Arab Emirates | Dirham | 3.673 |
| United Kingdom | Pound Sterling* | 1.493 |
| Uruguay | Peso (m) | 160.75 |
| USSR | Rouble | 0.6754 |
| Vanuatu | Vatu | 90.7516 |
| Vatican | Lira | 1405.00 |
| Venezuela | Bolivar (o)<br>Bolivar (g) (1)<br>Bolivar (d) | 7.50<br>7.50<br>19.695 |
| Vietnam | Dong | 11.7565 |
| Virgin Islands (British) | US $ | 1.00 |
| Virgin Islands (US) | US $ | 1.00 |
| Yemen | Rial | 10.50 |
| Yemen PDR | Dinar | 0.343 |
| Yugoslavia | Dinar | 395.50 |
| Zaire Republic | Zaire | 62.00 |
| Zambia | Kwacha | 6.7659 |
| Zimbabwe | Dollar | 1.6773 |

n.a. Not available. (m) Market rate *U.S. dollars per National Currency unit. (o) Freemarket central bank. (a) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l): Priority Rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Tunisia, 19 Aug 86: Dinar devalued by 10% (3) Ecuador, 20 August 86: Sucre devalued by approx. 33.2% (4) Uganda, 24 Aug 86: Shilling. Single exchange rate re-introduced. (5) Argentina, 1 Sep 86: Austral devalued by approx. 2.89%. (6) Poland, 1 Sep 86: Zloty devalued by approx. 19.39%.

For further information please contact your local branch of the Bank of America.

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1986 High | Low | Stock | Price £ | + or - | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| [illegible] | 100 [illegible] | [illegible] 14pc 1986 | 100 | - | 13 [illegible] | 10.35 |
| [illegible] | [illegible] | Exch. 2½pc 1986 | [illegible] | | [illegible] | 7.64 |
| [illegible] | [illegible] | [illegible] 13¼pc 1987 | 101 | + | [illegible] | 9.71 |
| [illegible] | 97 [illegible] | Treas 10½pc Cv '87 | 100 | | [illegible] | 9.78 |
| [illegible] | 92 [illegible] | Exch 2½pc 1987 | 97¼ | | [illegible] | 7.41 |
| [illegible] | [illegible] | Exch 10½pc 1987 | 100 | | [illegible] | 9.71 |
| [illegible] | [illegible] | Funding 6½pc '85-87‡‡ | 98 | + | [illegible] | 0.96 |
| [illegible] | 96 [illegible] | Treas. 10pc 1987 | 100 | + | [illegible] | 9.66 |
| 97 [illegible] | [illegible] | Treas 3pc 1987 | 96 | - | [illegible] | 7.43 |
| [illegible] | 97 [illegible] | Treas. 12pc 1987 | 102 | | 11 [illegible] | 9.69 |
| [illegible] | [illegible] | Treas 7¼pc 1985-88‡‡ | 97 | | 7 [illegible] | 9.41 |
| 104 | [illegible] | Exch 10½pc '88 | 101 | | [illegible] | 9.64 |
| 102 | 95 | Treas 9½pc Cv '88 | 100 | | 9.7 | 9.64 |
| 94 | 86 | Transport 3pc '78-88 | 92 | - | 3.29 | 7.28 |
| 102 | 93 | Treas. 9½pc '88 | 99 | | 9.54 | 9.67 |
| 107 | 98 | Treas 11½pc 1989 | 104 | | 11.04 | 9.53 |
| 103 | 93 | Treas 9½pc Cnv. '89 | 99 | | 9.52 | 9.56 |
| 92 | 82 | Treas 3pc 1989 | 89 | | 3.34 | 7.20 |
| 105 | 95 | Treas 10½pc 1989 | 102 | + | 10.27 | 9.53 |
| 104 | 94 | Exch 10pc 1989 | 101 | | 9.90 | 9.56 |
| 107 | 97 | Exch 11pc 1989 | 103 | | 10.58 | 9.50 |
| 93 | 84½ | Treas 5pc 1986-89 | 91 | - | 5.49 | 8.33 |
| 110 | 94 | Exch 10½pc Cv '89 | 104 | - | 9.83 | 8.64 |
| 116 | 103 | Treas 13pc 1990‡‡ | 110 | + | 11.81 | 9.40 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

### Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

### Building Societies

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## AMERICANS—Cont.

## CANADIANS

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Cont.

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∎ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 60 | +1 |
| Craig & Rose £1 | £13½ | .... |
| Finlay Pkg. 5p | 44 | +1 |
| Holt (Jos) 25p | 825 | .... |
| IoM Stm. £1 | 73 | +1 |
| IRISH | | |
| Fund 11¼% 1988 | £101¼ | .... |
| Nat. 9¾% 84/89 | £96 | .... |

| | | |
|---|---|---|
| Fin. 13% 97/02 | £106½ | .... |
| Arnotts | 285 | −20 |
| CPI Hldgs | 45xd | .... |
| Carrol Inds. | 123 | +5 |
| Dublin Gas | 30 | .... |
| Hall (R. & H.) | 75 | .... |
| Heiton Hldgs. | 29 | .... |
| Irish Ropes | 98 | .... |
| Unidare | 222xd | .... |

"Recent Issues" and "Rights" Page 39
(International Edition Page 35)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £625 per annum for each security.

# LONDON STOCK EXCHANGE

**Account Dealing Dates**

| Option *First Dealings | Declara-tions | Last Dealings | Account Day |
|---|---|---|---|
| Aug 11 | Aug 28 | Aug 29 | Sept 8 |
| Sept 1 | Sept 11 | Sept 12 | Sept 22 |
| Sept 15 | Sept 25 | Sept 26 | Oct 6 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

## Late-summer equity run continues in contrast to drab Gilt trend

The late-summer surge in London equities showed little sign of abating yesterday. Since it began nearly four weeks ago, the sustained run has been broken only on two occasions and each time the small closing losses have represented little more than token corrections of the trend.

The build-up of investment confidence originated from hopes of a co-ordinated international move towards lower interest rates. More recently, however, the tona has reflected increasing optimism over a successful Trustee Savings Bank share flotation with the prospect of the larger British Gas issue to come.

Wall Street's healthier performance on Wednesday, which enabled the Dow Jones index to regain almost 11 points, sent leading stocks off in fine style yesterday. Institutional buyers were soon active but were not prepared to chase prices too high and interest switched to secondary equities. Many achieved useful gains, usually at tha expense of blue chips which consequently lost somo of their sparkle.

Bunzl'a call for around £197.4m cash, which is to be raised by a rights issue, caused hardly a ripple in the Paper/Printings sector, although the Bunzl share price reacted. Allied-Lyons were another loser on the day following suggestions that Elder IXL could direct its attentions to Hanson Trust's Courage brewing arm. On Wednesday, the Monopolies Commission gave Elders the go-ahead to resume its bid for Allied-Lyons but doubts bave emerged whether it will, especially if Allied clinches a deal with Olympia and York regarding control of Hiram Walker's wine and spirit businesses.

Illustrating tha overall equity trend, the FT-SE 100 share index fluctuated between 1,675.6 and 1,682.2 before closing a net 9.6 higher at 1680.3. The FT Ordinary share index ended 9.7 up at 1334.3.

The lack of further overseas eelling was a relief for Gilt-edged invastors and the market initially regained some composure. Sterling's resumed rise against the dollar prompted light demand and tho tona held until the after-hours' trade. Ronewed sales aroused by falling Gilt futures then put dealers under pressure and longer maturities wilted in sensitive trading to close with fresh falls ranging to ½.

### Banks easier

Business in the Banking sector contracted further and the major clearers gave modest ground in the face of scrappy selling. Barclays slipped 5 to 507p, as did Lloyds, to 455p. NatWest were finally 3 off a 555p and Midland a couple of pence cheaper at 568p. Australian banks improved afresh on domestic influences. ANZ gained 9 to 225p while Westpac rose 10 to 210p and National Bank Australia firmed 6 to 235p. Elsewhere, Standard Chartered continued to attract speculative support and put on 7 to 732p, o two-day advance of 24.

Composite Insurance fluctuated narrowly prior to closing a few pence firmer for choice, however, late support boosted Royals 12 to 867p. Sun Alliance, still reflecting the interim profits recovery and increased dividend, hardened 4 to 739p. Lloyds brokers displayed a late dull feature in Dereck Bryant which fell 50 to 230p following tho poor half-year figures.

Allied-Lyons apart, Breweries displayed gains ocross the board. Bass put on 10 more to 785p, while Scottish and Newcastle rose 4 to 190p, as did Whithread A, to 282p. Regionals mirrored tha laaders with Greenall Whitley 7 up at 177p, after 179p, and Greene King 10 to the good ot 240p.

Early attention in tha Building sector was focused on Blue Circle which advanced to 578p on vague takeover rumours before easing back on profit-taking to close unchanged on the day et 568p. Rugby Portland Cement, boosted on Wednesday by talk of a broker's circular, touched 162p prior to closing e penny higher at 161p, a two-day gain of 9. Buying ahead of the respective interim results dne shortly lifted Costain 12 to 588p and George Wimpey 4 to 220p, but profit-taking in the wake of the excellant half-year figures left Wilson (Connolly) 10 lower at 270p. Elsewbere, Derek Crouch lost 18 to 165p following the slightly disappointing half-timer, but Helical Bar revived strongly and closed 16 up at a peak of 260p. BB & EA rose 35 to 205p in a restricted market, while Ibstock Johnsen gained 10 to 196p as takeover rumours revived.

Chemicals highlighted Wardla Storeys which attracted early demand on thoughts that the shares were set to break the 400p barrier; bowever, the price, after advancing to 390p, eased back on profit-taking to close 15 higher on balance at 375p. A revival of bid rumours helped Foseco move up 6 to 249p, while renewed demand left Allied Colloids 5 np at 230p.

Leading High Street Retailers mado modest progress in subdued trading. Burton touched 316p before settling only 2 np on balance at 314p. Similar conditions prevailed among secondary counters, although buyers returned for Ward White, finally 8 higher et 374p. Bid chatter lifted Time Products 1½ more to 74½p, but Goldsmiths, up to a new peak of 238p initially, encountered profit-taking and dipped to 230p before closing 2 down on balance at 234p. Coats Viyella, expected to reveal interim figures later this month, rose 10 to 510p, whila fresh speculative demand was evident for Ellis and Goldstein, 3 up et 89p, Alexon, 6 dearer at 188p, and Allebone, 5 highor st 55p.

Lambert Howarth advanced 14 to 195p following the favourable reception afforded tho first-half figures. Garnar Booth rose 9 to 154p in sympathy.

### Amstrad ease afresh

Further profit-taking following the launch of its new computers left Amstrad 6 cheaper at 138p, after 134p et one stage. In contrast, BSR came to life with a rise of 11 to 85p, while Logica, still benefiting from the Star Wars contract, improved 8 further to 225p. Cray Electronics were supported and put on a similar amount to 330p, whila Wholesale Fittings gained 10 more to 315p in a limited market. Apart from Plessey, 4 better at 186p, leading Electricals showed little alteration.

Among the Engineering leaders, Vickers, expected to announce interim figures at the end of the month, were supported and put on 10 to 425p. Hawker were good at 533p, up 12, while GKN continued the recent recovery movement to close 7 dearer at 292p. Half-yearly figures in line with market expectations left Babcock 4 cheaper at 183p. Glynwed firmed 6 to 316p on occasional demand and Crown House rose 5 to 213p. APV continued to make beadway awaiting next Wednesday's interim statement and advanced 10 more to 600p. Revived speculative demand left Downlbrae 5 better at 70p, while W. A. Tyzack improved 2 more to 52p following news that Gild Investments had acquired a 24.9 per cent stake in the company. Satisfactory half-year figures prompted a rise of 5 to 78p in Linread.

After early progress to 185p on the better-than-expected interim results and confident statement, Cadbury Schweppes eased back to 181p before US domand left the close 4 higher on balance at 182p. Rowntree Mackintosh were a few pence dearer in sympathy. Elsewbere in the Food sector, Unigate attracted support at 310p, up 5 and Hazlewood gained 8 to 148p. Retailers continued firmly with Tesco well to the fore at 415p, up 5 and J. Sainsbury 2 harder et a 1986 peak of 418p, tha latter helped by a broker's recommendation. Argyll added 3 more at a 1986 peak of 418p, tho latter helped by a broker'a recommendation. Argyll added 3 more to 338p, while Bejam revived on takeover hopes and touched 170p prior to closing 2 firmer at 165p.

Initial suppurt for the Hotel leaders subsequently petered out and prices drifted back to close lower on balance. Ladbroke, after early progress to 373p, drifted off to close a penny easier at 367p. Grand Metropolitan ended 2 cheaper at 396p. Elsewhere, Aberdeen Steak Houses encountered a flurry of speculative support and, in a restricted market, gained 11 to 46p.

### Cookson good

Cookson responded to better-than-expected interim figures by rising to 513p before settling a little below tho day'a best with a gain of 20 on balance at 510p. Comment suggesting a stake had recently changed hands prompted further buying of Crest Nicholson which ended 10 dearer at 164p, while Bunzl bid hopes directed buyers attentions to Transport Development, 10 to the good at 179p. Demand in front of forthcoming trading statements provided several noteworthy movements. Bowater were prominent at 333p, up 11, after 335p, while Wm Baird rose 20 to 370p and gains of 10 were recorded in Pearson, 540p, and Fisons, 646p. Portals, a rising market of late, eased 5 to 325p after the interim figures, but Stat-Plus, still reflecting the good half-year results, improved 7 further to 340p. BET continued to mako headway at 423p, up 8, while Wolseley firmed 10 more to 580p. Dealings were temporarily suspended in Grovebell at 5p, down 2. Among tha miscellaneous industrial leaders, Reed International encountered good buying interest and touched 272p before closing well below the best at 265p, up 13. Glaxo, still reflecting a broker's circular, put on ⅛ more to £10⅛, whila Metal Box were noteworthy for a gain of 10 at 190p.

In the Leisure sector, GRA touched 60p before aasing back to close unchanged at 57p following details of tho proposed sale of Slough Stadium—subject to planning permission—to the Co-operatve Wholesale Society for £7.5m. Fairline Boats put on 15 to 175p on bid hopes.

Jaguar advanced 12 to 540p as overnight demand from the US stimulated support action in London; the company has announced plans to launch a major sales promotion in Japan headed by the new XJ40 saloon which is due to make its debut at next month's Birmingham Motor Show. Components were irregular. Arbitrageurs continued to buy AE stock; shares traded for Account settlement only and those non-assented to the Turner and Newall offer settled 10 higher at 247p, after 250p; Turner and Newall improved 14 to 212p. Lucas found fresh favour and advanced 8 more to 561p, while late interest was noted for Jonas Woodhead, 2 better at 72p, and Supra, 3 np at 77p. Dowty, on the other hand, moved 4 lower to 229p.

Bunzl dipped 12 to 223p, after 213p, following the near-£200m rights issue that accompanied the interim figures. Other Paper/Printings were resilient, however, with DRG a couple of pence to tha good at 282p, and Ireland's Jefferson Smurfit another 5 up at 250p.

MEPC provided the only noteworthy movement among leading Properties, rising 5 more to 350p amid persistent takeover rumours. Elsewhere, Marlborough gained 6 to 94p as the company confirmed thet it is in talks with I.D. & S. Rivlin which may lead to a recommended offer; Rivlin, after initoal progress to 190p, slipped back to close unchanged at 180p; Regencrest attracted buyers on news that the company has an option on a joint venture agreement for the development of Wolverhampton Racecourse and closed 3 higher at 33p. Stewart Nairn revived with a gain of a penny at 18½p.

Continued satisfaction with the much better-than-anticipated mid-term figures prompted renewed strength in P & O Deferred which touched 550p before settling 5 up at 546p, a two-day advance of 28. Ocean Transport, currently in receipt of an intimated and unwelcome bid from Mr Ron Brierley'a IEP (UK), bardened 3 to a 1986 peak of 240p.

Textiles featured Lister which rose 6 to 125p following e Press mention. Occasional speculative support lifted Textured Jersey o coupla of pence more to 152p, and Illingworth Morris 4 to 126p.

### Shell at 1986 high

A sedete early performance by the leading oil shares was transformed by persistent good buying interest late in the day following renewed strength in oil prices and initial firmness on Wall Street. Shell were outstanding and moved np 10 more to a year's high of 958p, while BP added 7 at 670p. Britoil, a firm market on Wednesday on the announcement of 750 redundancies, rose a further 5 to 143p. Burmah hardened a few pence to 408p following the acquisition for $33m of Columbia Cement of Freeport, America's largest supplier of contact adhesives. Enterprise Oil attracted good support on talk of a broker's "buy" circular, and settled 4 up at 140p, after a 1986 high of 142p. IC Gas, a firm market in recent weeks, came under sustained pressure from profit-taking and diped to 473p before rallying to end the day a net 12 down at 478p. Many of the smaller UK issues came in for speculative support, notably Charterhall, 25p, Sovereign, 34p, Pict, 40p, and Berkeley, 33p, all of which showed gains of around 2 to 3. Bryson Oil and Gas highlighted Irish stocks and jumped 10 more to 50p on further consideration of the cash injection by Charterhouse Investment Management and Mr D. H. Caspery.

South African mining issues turned easier for the first time in six trading days following reports of renewed outbreaks of civil unrest in the Soweto township, a pause in the recent advance by precious metals and a firmer trend in sterling against the dollar.

Gold and platinum gave ground, mirroring the downturn in New York overnight, but closed above the day's lowest levels. Bullion, down to $401.5 during the day, settled only a net 25 cents easier at $406.5, while platinum traded around $640 in the afternoon.

Gold shares were marked down at the outset and drifted easier for much of the day before steadying late in tho session on the appearance of American support. South African financials and platinums moved similarly to golds. Vaal Reefs were particularly weak in the top-quality Golds, slipping £1½ to £47 but other leading issues were rarely mope than ½ lower at the close of trading. Winkelhaak moved against the general trend and put on ½ to £13½ in front of the increased final dividend. The Gold Mines index showed a 2.3 fall to 281.2.

In Platinums falls of 15 were common to Impala, 785p, and Rustenburg, 785p, while diamond producer De Beers fell back to 475p prior to closing a net 8 off at 480p. Consolidated Gold Fields attracted profit-taking and retreated sharply to 529p in mid-session before picking up to end the day only 3 off on balance at 539p. Rio Tinto-Zinc hardened a few pence to 624p helped by the recent strength of copper prices.

Golds continued to feature in a generally buoyant Australian mining sector. Of the leaders, gains in tho region of 30 were common to Central Norseman, 490p, and Gold Mines of Kalgoorlie, 495p, while Sons of Gwalia added 20 to a year's high of 282p.

### Traded Options

Traded Option volume continued to improve with 20,092 contracts transacted — made up of 14,156 calls and 5,936 puts. Activity was well distributed throughout with current favourite Hanson Trust again in the limelight with 1,674 calls and 373 puts done. Dealers reported e lively business in BP and Shell which attracted 641 and 960 calls respectively: Shell also contributed 881 puts. Cadbury Schweppes recorded 974 calls and 210 puts in the wake of the interim figures.

## FINANCIAL TIMES STOCK INDICES

| | Sept 4 | Sept 3 | Sept 2 | Sept 1 | Aug 29 | year ago | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 88.76 | 88.98 | 89.60 | 89.72 | 89.64 | 83.60 | 94.51 (18/4) | 80.39 (20/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 94.83 | 94.81 | 95.12 | 95.17 | 95.62 | 88.45 | 97.68 (7/7) | 86.55 (23/1) | 105.4 (28/11/47) | 50.53 [illegible] |
| Ordinary ♥ | 1,334.3 | 1,324.6 | 1,320.0 | 1,322.7 | 1,311.9 | 1003.3 | 1,425.9 (3/4) | 1,094.3 (14/1) | 1,425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 281.2 | 283.5 | 268.0 | 262.0 | 249.4 | 309.5 | 357.0 (27/1) | 185.7 (18/7) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.14 | 4.18 | 4.18 | 4.17 | 4.21 | 4.69 | | | | |
| Earnings Yld.%(full) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | | | |
| P/E Ratio (net) (*) | 12.90 | 12.83 | 12.77 | 12.73 | 12.62 | 10.72 | | | | |
| Total Bargains (Est) | 21,411 | 22,057 | 21,683 | 24,886 | 21,416 | 22,956 | | | | |
| Equity Turnover £m. | — | 583.92 | 520.22 | 551.86 | 878.48 | 475.30 | | | | |
| Equity Bargains | — | 22,393 | 22,981 | 23,863 | 27,362 | 20,002 | | | | |
| Shares Traded (ml). | — | 253.8 | 237.5 | 267.7 | 354.1 | 257.9 | | | | |

**S.E. ACTIVITY**

| Indices | Sept. 3 | Sept. 2 |
|---|---|---|
| Gilt Edged Bargains | 135.7 | 90.3 |
| Equity Bargains | 144.4 | 148.9 |
| Equity Value | 1180.2 | 1051.5 |
| 5-Day Average | | |
| Gilt Edged Bargains | 104.6 | 102.1 |
| Equity Bargains | 156.6 | 156.2 |
| Equity Value | 1312.7 | 1276.3 |

♥ Opening 1329.6 | 10 a.m. 1336.2 | 11 a.m. 1335.5 | Noon 1335.6 | 1 p.m. 1334.6 | 2 p.m. 1334.6 | 3 p.m. 1333.1 | 4 p.m. 1333.9

Day's High 1336.4. Day's Low 1329.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.37.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Thursday September 4 1986 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Wed Sept 3 Index No. | Tues Sept 2 Index No. | Mon Sept 1 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FIXED INTEREST

| PRICE INDICES | Thurs Sept 4 | Day's change % | Wed Sept 3 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| AVERAGE GROSS REDEMPTION YIELDS | Thurs Sept 4 | Wed Sept 3 | Year ago (approx.) |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

§Opening index 1679.4; 10 am 1681.6; 11 am 1680.0; Noon 1680.5; 1 pm 1679.4; 2 pm 1679.8; 3 pm 1678.1; 3.30 pm 1678.9; 4 pm 1679.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## NEW HIGHS AND LOWS FOR 1986

**NEW HIGHS (118)**

CANADIANS (1). BANKS (3). BUILDINGS (11). CHEMICALS (2). STORES (6). ELECTRICALS (4). ENGINEERING (5). FOODS (4). INDUSTRIALS (16). INSURANCE (1). LEISURE (1). MOTORS (4). NEWSPAPERS (1). PAPER (1). PROPERTY (3). SHIPPING (2). TEXTILES (4). TRUSTS (31). OILS (7). OVERSEAS TRADERS (1). MINES (10).

**NEW LOWS (12)**

BRITISH FUNDS (1) Exch. 14pc 1986. INDUSTRIALS (5) Fogarty. French (Thos.). Grovebell. Ropner. Do. A. LEISURE (2) Television Services. Trilion. PROPERTY (1) Intl. Inc. Prop. TRUSTS (1) Cambium Venture Capital. MINES (2) Colby Resources, McFinley Red Lake.

## BASE LENDING RATES

| | % | | % |
|---|---|---|---|
| ABN Bank | 10 | Exeter Trust Ltd. | 10½ |
| Allied Arab Bank Ltd | 10 | Financial & Gen. Sec. | 10 |
| Allied Dunbar & Co | 10 | First Nat. Fin. Corp. | 11 |
| Allied Irish Bank | 10 | First Nat. Sec. Ltd | 11 |
| American Express Bk. | 10 | ● Robert Fleming & Co. | 10 |
| Amro Bank | 10 | Robert Fraser & Ptrs | 11 |
| Henry Ansbacher | 10 | Grindlays Bank | ‡10 |
| Associates Cap Corp | 10 | ● Guinness Mahon | 10 |
| Banco de Bilbao | 10 | ● Hambros Bank | 10 |
| Bank Hapoalim | 10 | Heritable & Gen. Trust | 10 |
| Bank Leumi (UK) | 10 | ● Hill Samuel | §10 |
| Bank Credit & Comm | 10 | C. Hoare & Co. | 10 |
| Bank of Cyprus | 10 | Hongkong & Shanghai | 10 |
| Bank of Ireland | 10 | Knowsley & Co. Ltd. | 10½ |
| Bank of India | 10 | Lloyds Bank | 10 |
| Bank of Scotland | 10 | Mase Westpac Ltd. | 10 |
| Banque Belge Ltd | 10 | Meghraj & Sons Ltd. | 10 |
| Barclays Bank | 10 | Midland Bank | 10 |
| Benchmark Trust Ltd | 10 | ● Morgan Grenfell | 10 |
| Beneficial Trust Ltd | 11 | Mount Credit Corp. Ltd | 10 |
| Berliner Bank AG | 10 | National Bk. of Kuwait | 10 |
| Brit. Bk. of Mid. East | 10 | National Girobank | 10 |
| ● Brown Shipley | 10 | National Westminster | 10 |
| CL Bank Nederland | 10 | Northern Bank Ltd. | 10 |
| Canada Permanent | 10 | Norwich Gen. Trust | 10 |
| Cayzer Ltd | 10 | PK Finans. Intl (UK) | 10½ |
| Cedar Holdings | 11 | Provincial Trust Ltd | 11 |
| ● Charterhouse Bank | 10 | R. Raphael & Sons | 10 |
| Citibank NA | 10 | Roxburghe Guarantee | 11 |
| Citibank Savings | ¶10¾ | Royal Bank of Scotland | 10 |
| City Merchants Bank | 10 | Royal Trust Co. Canada | 10 |
| Clydesdale Bank | 10 | Standard Chartered | 10 |
| Comm. Bk. N. East | 10 | Trustee Savings Bank | 10 |
| Consolidated Credits | 10 | UDT Mortgage Express | ¶10.9 |
| Continental Trust Ltd. | 10 | United Bank of Kuwait | 10 |
| Co-operative Bank | *10 | United Mizrahi Bank | 10 |
| The Cyprus Popular Bk. | 10 | Westpac Banking Corp | 10 |
| Duncan Lawrie | 10 | Whiteaway Laidlaw | 10½ |
| E. T. Trust | 11 | Yorkshire Bank | 10 |
| Equatorial Tst Corp. plc | 10 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%, 1-month 6.09%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

## EUROPEAN OPTIONS EXCHANGE

| Series | | Vol. | Last | Vol. | Last | Vol. | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| NEDL C | FL180 | 344 | 7.80 | 34 | 13 | 3 | 17.50A | FL183.50 |
| NEDL P | FL170 | 161 | 1.40 | 3 | 4 | — | — | " |
| NATN C | FL90 | 17 | 1.90 | 115 | 3.10 | 12 | 5.50 | FL86.70 |
| NATN P | FL85 | 86 | 2 | 37 | 3.90 | 2 | 5.30 | " |
| PHIL C | FL60 | 120 | 0.70 | 417 | 2.30 | 151 | 3.60 | FL55.80 |
| PHIL P | FL55 | 513 | 1.20 | 43 | 2.60 | 7 | 3.30 | " |
| RD C | FL210 | 3510 | 5.80 | 1691 | 10 | 245 | 14 | FL212.80 |
| RD P | FL210 | 1111 | 5.20 | 239 | 7.50 | 24 | 8.80 | " |
| UNIL C | FL500 | 28 | 22 | 3 | 34 | — | — | FL517 |
| UNIL P | FL500 | 31 | 4.70 | 35 | 11.10 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 40,323

A=Ask B=Bid C=Call P=Put

## TRADITIONAL OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Aug 18 | Sept 5 | Nov 20 | Dec 1 |
| Sept 8 | Sept 19 | Dec 4 | Dec 15 |
| Sept 22 | Oct 3 | Dec 18 | Dec 29 |

*For rate indications see end of Unit Trust Service*

a.rcsetaoin

Money was given for the call of Amstrad, Thomas Marshall (Loxley), Driefontein, Free State Gold, Conroy, West Coast, Tuskar, Barker and Dobson, Nolton Estates, Checkpoint Europe, Broad Street, North Kalgurli, Stewart Nairn, Glanfield Lawrence, Pavion, Phicom, Woodhouse and Rixson, Hestair, Underwoods, British Syphon, Sarasota, Hillsdown, English China Clays, Freshbake, Audiotronic, Davy and Bristol Channel Ship Repairers. No puts were reported but double options were transacted in North Kalgurli, Pressac, United Spring and Chrysalis.

## YESTERDAY'S ACTIVE STOCKS

| Stock | Closing price | Day's change | Stock | Closing price | Day's change |
|---|---|---|---|---|---|
| AE | 247 | +10 | Cookson | 510 | +20 |
| Amstrad | 138 | − 6 | Crouch (D.) | 165 | −18 |
| Bunzl | 223 | −12 | Lonrho | 221 | + 5 |
| Cadbury Schweppes | 182 | + 4 | Reed International | 265 | +13 |
| Coats Viyella | 510 | +10 | Turner and Newall | 212 | +14 |
| Cons. Gold Fields | 539 | − 3 | Wardle Storeys | 375 | +15 |

## WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of changes | Wed. close | Day's change | Stock | No. of changes | Wed. close | Day's change |
|---|---|---|---|---|---|---|---|
| Standard Chrt. | 20 | 725 | +17 | BP | 13 | 663 | + 8 |
| Cns. Gold Fds. | 19 | 542 | +26 | Laporte Inds. | 13 | 405 | +17 |
| Glaxo | 19 | £10 | — | Amstrad | 12 | 144 | − 6 |
| ICI | 10 | £11 | — | Pilkington Br. | 12 | 433 | +12 |
| Britoil | 16 | 138 | + 8 | RTZ | 12 | 618 | +12 |
| P. & O. Defd. | 14 | 541 | +23 | Ultramar | 12 | 155 | + 7 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 65 | 6 | 41 |
| Corporations, Dominion and Foreign Bonds | 5 | 15 | 48 |
| Industrials | 411 | 181 | 927 |
| Financial and Properties | 164 | 68 | 346 |
| Oils | 33 | 17 | 64 |
| Plantations | 3 | 0 | 11 |
| Mines | 59 | 64 | 72 |
| Others | 63 | 77 | 59 |
| Totals | 803 | 420 | 1,568 |

Above average activity was noted in the following stocks yesterday.

## LONDON TRADED OPTIONS

| Option | | CALLS Oct. | CALLS Jan. | CALLS Apr. | PUTS Oct. | PUTS Jan. | PUTS Apr. |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | CALLS Nov. | CALLS Feb. | CALLS May | PUTS Nov. | PUTS Feb. | PUTS May |
|---|---|---|---|---|---|---|---|
| Midland Bk (*572) | 500 | 87 | 105 | 117 | 4 | 7 | 11 |
| | 550 | 47 | 65 | 80 | 15 | 20 | 25 |
| | 600 | 20 | 30 | 45 | 37 | 42 | 47 |
| P. & O. | 500 | 53 | 70 | 85 | 9 | 13 | 15 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

September 4. Total Contracts 20,092. Calls 14,156. Puts 5,936.
*Underlying security price.

# WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · JAPAN · JAPAN (continued) · SINGAPORE · SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

## CANADA

TORONTO

*Closing prices September 4*

F—No voting rights or restricted voting rights

MONTREAL

*Closing prices September 4*

Total Sales 6,601,556 shares

## Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NYSE-Consolidated 1500 Actives

Advances 1,186 Declines 475

| TORONTO | Sept 4 | Sept 3 | Sept 2 | Sept 1 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,188.49 | 2,156.8 | 2,084.5 | n | 2,442.85 (21/3) | 1,917.4 (5/8) |
| Composite | 3,000.4 | 3,058.2 | 3,040.8 | a | 3,129.11 (18/4) | 2,764.0 (17/2) |
| MONTREAL Portfolio | 1,551.38 | 1,531.18 | 1,512.87 | a | 1,623.33 (18/4) | 1,366.6 (22/1) |

* Indicates pre-close figure

** Saturday August 30: Japan Nikkei 18787.4. TSE 1849.74.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. 1 Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

## OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

## LONDON Chief price changes (in pence unless otherwise indicated)

RISES

| | | |
|---|---|---|
| A-E | 247 | +10 |
| BSR Intl | 85 | +11 |
| Baird (Wm) | 370 | +20 |
| Bowater Inds | 333 | +11 |
| Cadbury Schw | 182 | + 4 |
| Central Norse | 490 | +30 |
| Cookson | 510 | +20 |
| Costain | 588 | +12 |
| Fairline Boats | 175 | +15 |
| Helical Bar | 260 | +16 |
| Ibstock Johnsen | 196 | +10 |
| Jaguar | 540 | +12 |
| Lambert Howarth | 195 | +14 |
| Marlborough Prop | 94 | + 8 |
| Pearson | 540 | +10 |
| Reed Intl | 265 | +13 |
| Royal Insur | 867 | +12 |
| Shell Trans | 953 | +10 |
| Sons of Gwalia | 282 | +20 |
| Transport Devel | 179 | +10 |
| Turner & Newall | 212 | +14 |
| Wardle Storeys | 375 | +15 |

FALLS

| | | |
|---|---|---|
| Tr 13½ 04-08 | £132¾ | − ½ |
| Allied-Lyons | 340 | − 7 |
| Bryant (Derek) | 230 | −50 |
| Bunzl | 223 | −12 |
| Crouch (D) | 165 | −18 |
| Imp Cont Gas | 478 | −12 |

# Three further records are reached in Europe

Continued from Page 46

industry orders rose 0.9 per cent in June had little impact.

Chemicals resisted the technical and dollar-related pressures as BASF firmed DM 1.80 to DM 282 and Bayer added DM 1.70 to DM 310.50.

Steels were mixed as Hoesch picked up DM 3.50 to DM 160.50 and Krupp dropped DM 7 to DM 144.

Cars were erratic with Porsche up DM 12 to DM 1,070 despite the lower dollar. Its North American subsidiary revealed a 77 per cent jump in August sales to 2,956 units after the close of trading.

VW added DM 3 to DM 542 and Daimler retreated DM 2 to DM 1,316.

Bonds were subdued due to the lack of a clear interest rate trend although an easier bias developed over concern on the prospects of US inflation. Prices moved within a range of 20 basis points.

The Bundesbank sold DM 56.8m of paper after buying DM 197.3m on Wednesday. The average public authority bond yield held steady at 5.57 per cent.

**Milan** was mixed under profit-taking pressure and very selective demand. Montedison finished the day with a L10 rise at L3,640 after trading as low as L3,515 in response to the latest Fermenta revelation.

Olivetti's huge capital raising plan forced the office equipment group L50 down to L16,650.

**Stockholm** lost more ground on increasing unease over the determination of West Germany or Japan to move on lower interest rates.

Volvo retreated SKr 6 to SKr 379 while SCA, the forestry group, lost SKr 9 to SKr 265. Fermenta suffered a sharp early fall but finished down only SKr 7 at SKr 123 as small investors sold heavily after the recent allegations of irregularities surrounding the biotechnology group.

**Paris** recovered the losses of the two previous sessions with particular attention on oils as Elf, up FFr 12.50 at FFr 357.50, announced healthy first-half profits. Total-CFP jumped FFr 14.80 to FFr 479.80 on its first half figures.

**Oslo** held at high levels despite some profit-taking.

## CANADA

A MODEST ADVANCE from the start in Toronto featured continuing strength in industrials, oils and metals and mines. Blue-chip industrial Canadian Pacific rose C$¼ to C$16⅝ and Bell added C$⅛ to C$39⅞, but leading active Canadian Tire "A" fell C$⅜ to C$15, although the company said it knew of no developments to justify recent trading in the stock.

Canadian Imperial Bank of Commerce eased C$⅛ to C$17¼ after reporting a fall in profits.

In Montreal, the market portfolio index rose 7.40 to 1536.58 on active turnover with most big share groups advancing.

## SOUTH AFRICA

PROFIT-TAKING sliced into recent gains among gold issues and the easier tone in that sector pulled other issues mostly lower in Johannesburg.

Vaal Reefs fell R4.75 to R332.75, while Western Deep Levels shed R4.50 to R152 and Kinross dropped R3.50 to R59.50.

Other mining issues were dragged below their recent higher levels. De Beers ended R1.20 lower at R33.80 and Impala lost R3.50 to R54.50 but antimony issue Murchison moved against the trend to end up 65 cents at R12.65.

Industrials were mixed

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 26½ | 13¾ | AAR | s | .44 | 1.8 | 10 | 122 | 24½ | 24⅛ | 24½ | +⅛ |
| 30 | 21¾ | ADT | | .92 | [illegible] | | 155 | 24⅛ | 23¾ | 24 | +¼ |
| 33 | 11½ | AFG | s | .08 | .3 | 17 | 518 | 31⅝ | 31 | 31¼ | +⅝ |
| 25⅞ | 13¾ | AGS | | | | 18 | 411 | 16¾ | 16⅛ | 16¼ | |
| 15 | 9⅞ | AMCA | | | | 256 | 16 | 10¼ | 10⅛ | 10¼ | +⅛ |
| 60⅝ | 37½ | AMR | | | | 14 | 4429 | 56½ | 55½ | 56¼ | +⅜ |
| 27½ | 23¼ | ANR | pf | 2.67 | 11. | | 2 | 25½ | 25⅛ | 25⅛ | +⅛ |
| 24 | 19¼ | ANR | pf | 2.12 | 9.0 | | 5 | 23⅞ | 23⅝ | 23½ | +⅜ |
| 12½ | 8½ | APL | | | | 8 | 8 | 10⅞ | 10⅞ | 10⅞ | +⅛ |
| 16¾ | 10 | ARX | | .71t | 6.9 | 11 | 78 | 11⅞ | 11¼ | 11⅞ | +½ |
| 40⅞ | 26¾ | ASA | | 2a | 5.4 | | 1399 | 38 | 36½ | 37¼ | +¼ |
| 18⅝ | 8¾ | AVX | | | 2.7 | | 72 | 11¾ | 11⅝ | 11¾ | +¼ |
| 32 | 22⅝ | AZP | | 2.72 | 8.7 | 8 | 1143 | 31½ | 31¼ | 31¼ | −⅛ |
| 55 | 26⅜ | AbtLb | s | .84 | 1.7 | 22 | 5244 | 48½ | 47¼ | 48½ | +¼ |
| 32 | 19⅝ | AccoWd | | .56 | 2.9 | 10 | 439 | 28½ | 27¾ | 28⅛ | +⅛ |
| 14⅞ | 0 | AcmeC | | .48 | 2.5 | | 141 | 11⅝ | 11 | 11⅝ | +⅝ |
| 9¼ | 7 | AcmeE | | .32b | 4.4 | 15 | 8 | 7⅜ | 7⅛ | 7¼ | +¼ |
| 22⅝ | 17 | AdaEx | | 1.90e | 8.5 | | 120 | 22⅜ | 21⅞ | 22⅜ | +⅛ |
| 33⅝ | 10 | AdmMl | | .48 | 1.4 | 13 | 32 | 26⅞ | 26½ | 26⅞ | −⅛ |
| 20⅝ | 11⅞ | AdvSys | | .63t | 8.2 | 14 | 52 | 16⅛ | 15⅝ | 15⅞ | |
| 32⅞ | 14⅛ | AMD | | | | | 6266 | 19¼ | 18¾ | 18¾ | +⅛ |
| 12⅝ | 5⅝ | Adobe | s | | | | 122 | 7⅜ | 7 | 7½ | +½ |
| [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 45

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18⅝ | 11⅝ | PayNP | .64 | 4.5 | 15 | 1464 | 14⅝ | 14 | 14¼ | −¼ |
| 27½ | 19½ | PayCsh | .16 | .8 | 18 | 1110 | 20⅝ | 19⅞ | 20⅝ | +1⅛ |
| ¾ | 7-32 | Pengo | | | | 76 | ⅜ | 11-32 | ⅜ | |
| 62 | 45 | PenCen | | | 23 | 586 | 57⅝ | 57¼ | 57½ | |
| 86¾ | 46½ | Penney | 2.48 | 3.2 | 15 | 6903 | 79⅝ | 75⅞ | 78¼ | +2⅜ |
| 43⅝ | 23½ | PaPL | 2.60 | 6.4 | 13 | x2261 | 40¾ | 40⅛ | 40½ | −¼ |
| 53⅝ | 35⅞ | PaPL | pf4.40 | 8.3 | | y450 | 51 | 50⅝ | 51 | +⅝ |
| 53⅝ | 35¾ | PaPL | pf4.50 | 8.7 | | y990 | 52 | 50 | 52 | −⅛ |
| 100 | 80 | PaPL | pf8.60 | 9.0 | | y50 | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45⅞ | 29⅝ | Zayre s | .32 | 1.1 | 19 | 6255 | 28⅝ | 27½ | 28 | +⅛ |
| 17 | 10½ | Zemex | .40 | 3.7 | 11 | 4 | 10¾ | 10¾ | 10¾ | +⅛ |
| 29⅞ | 16¾ | ZenithE | | | | 593 | 24 | 23⅝ | 24 | +¼ |
| 18¼ | 5 | ZenLb s | | | 24 | 670 | 9⅞ | 9½ | 9½ | −⅜ |
| 22⅝ | 14⅝ | Zero s | .20 | 1.3 | 16 | 88 | 15⅝ | 15⅝ | 15⅝ | |
| 45¾ | 32¾ | Zurn | 1.32 | 3.5 | 14 | 227 | 38¼ | 36⅝ | 38 | +1¼ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# OVER-THE-COUNTER

*Nasdaq national market, closing prices*

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 43

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### WALL STREET

# Bonds lead climb to new peak

US STOCK markets surged ahead yesterday as a steadier tone in federal bonds helped restore Wall Street's confidence that inflation will remain low as the economy gathers pace, *writes Terry Byland in New York.*

Rumours of an impending meeting of G-5 ministers were denied by the Federal Reserve, but the blue chip stocks raced ahead on stock futures-oriented buying programmes, which took the Dow average up by nearly 40 points to a new closing peak.

Transportation, oil and technology stocks led the advance in the industrial sectors, and retail issues moved up sharply on the prospect of a $2.5bn bid for Allied Stores.

Blue chips dominated at first but gains began to spread across the broader range at mid-session.

The Dow Jones industrial average ended a net 38.38 points up at 1,919.71, well clear of the previous peak of 1,909.03 reached on July 2. NYSE turnover jumped to 189.9m shares. At best, the Dow was 40 points up in one of its best daily performances on record.

Major market indices were driven ahead by sharp gains in several major names. Exxon jumped $1⅜ to $70⅜ in heavy turnover, benefiting both from the rebound in oil and commodity prices, and also from the share listing in Tokyo which is expected to increase investor interest in the stock.

In the retail sector, shares in Allied Stores bounded ahead $10⅞ to $59⅛ in heavy trading after Campeau, the Canadian group, said it planned to offer $58 a share for Allied Retail sector analysts predicted a wave of takeovers in the industry, and the arbitrageurs were clearly looking for higher terms for Allied.

Federated Department Stores jumped $3⅝ to $88⅝ after the retail analyst at C. J. Lawrence had assigned the group a break-up value of $125-$140. His price-tag of $120 for a possible buyout of J. C. Penney took the stock up $2⅝ to $76¼, and a similar tag of $70 took K mart up $1⅜ to $52.

But the prime takeover spot was taken by Rorer group, up $2⅞ at $46⅞ as the sale of Dow Chemical's 10 per cent stake sounded the alarm bells in the offices of the takeover arbitrageurs. Wall Street believes the Dow stake has been taken by Steinhardt Partners, a trading firm, but could be passed on to a predator – perhaps Mr Alan Clore, the UK investor who already holds 13 per cent of Rorer.

Sears Roebuck commencing a stock buy-in programme, edged up $½ to $44¾ as more than 2m shares changed hands.

Technology stocks were active, following comment on the investment press on IBM's latest products, as well as on progress at Digital Equipment, emerging as a fast track market rival for Big Blue.

Digital advanced $3⅛ to $104⅛ in heavy turnover, but the most active feature, as usual, was IBM, which bounded $3¼ higher to $139⅝.

Burroughs, now another major rival for IBM through its merger with Sperry, gained $⅝ to $72⅞ and NCR gained $1⅛ to $55⅛.

The weak spot was Honeywell, $⅝ off at $69¼ – still hurt by the disclosure that Sperry rejected ideas of a bid.

The Detroit car stocks received a cool reception to the latest industry sales figures, although these figures will now be boosted dramatically by the major producers' incentive plans Ford, a favourite in recent weeks, plunged $⅛ to $57⅞ in hefty trading and General Motors at $71⅞ edged down $1⅛. But Chrysler, regarded as the lowest cost producer, advanced $⅝ to $39⅞. American Motors, offering no-cost customer financing, added $⅛ to $2⅞.

Atlantic Richfield jumped $2¼ to $60⅞ in heavy trading and other oils which continued to advance were Mobil, up $1⅛ at $38⅝ and Chevron, up $⅞ at $46⅝.

Pharmaceuticals turned lower as a higher dollar threatened their overseas sales. The exception was Upjohn, whose anti-baldness drug received Canadian approval. At $95⅞, Upjohn gained $3.

Bright spots elsewhere included Holiday Inns, up $1¼ at $64⅞ after Mr Donald Trump, property developer, took a small stake. Hudson Foods jumped $1¼ to $20¼ after agreeing to make a cash acquisition.

In the credit markets, bond prices moved erratically, while short-term rates reversed early gains at midsession. But the markets were inclined to trade sluggishly ahead of today's federal employment data.

### TOKYO

# Recovery sparked by electricals

AFTER TWO DAYS of sharp declines, share prices turned moderately higher in Tokyo yesterday, bolstered by strong buying interest in heavy electricals such as Toshiba, *writes Shigeo Nishiwaki of Jiji Press.*

But trading was extremely thin in large-capital issues, such as steels and shipbuildings, and stocks benefiting from domestic demand expansion.

The Nikkei average finished up 54.19 at 18,559.64. But declines outnumbered advances by a narrow margin of 422 to 410, with 135 issues unchanged. Volume fell to 633m shares from Wednesday's 740m as institutional investors retreated to the sidelines.

The yen's decline against the dollar sparked a spate of buying. This centred on heavy electricals, which had been out of favour due to exchange rates and the prolonged slump in the semiconductor market. Furthermore, heavy electricals are considered undervalued compared with the large-capital stocks that had led the booming market in July and August.

Toshiba topped the active list with 70.73m shares changing hands and rose Y38 to Y688. Hitachi gained Y35 to Y975, while Mitsubishi Electric closed Y15 higher at Y470.

Electricals were also sought, with NEC adding Y110 to Y1,880, Matsushita Electric Industrial Y60 to Y1,580 and Oki Electric Y30 to Y830.

Large-capital stocks firmed. Nippon Steel was the second busiest issue with 40.18m shares traded and rose Y8 to Y230. But volume was nearly one-tenth of the August peak.

Mitsubishi Heavy Industries, third most active, with 24.77m shares traded, jumped Y27 to Y615, and Nippon Kokan, also active, ended Y7 higher at Y273.

Issues related to information and communications regained popularity. Mitsubishi finished Y70 to Y1,350 and Mitsui Y17 to Y770.

Construction issues were on a firm note, with Taisei advancing Y11 to Y859 and Kajima Y40 to Y1,320.

Toray dropped Y35 to Y740 under selling pressure. The issue had performed strongly the previous day on prospects for the Health and Welfare Ministry to approve the manufacture of "Feron" beta interferon developed by Toray.

Bond prices rose, although trading was lacklustre. The yield on the benchmark 6.2 per cent government bond, falling due in July 1995, declined to 4.565 per cent from Wednesday's 4.580 per cent after easing up in early trading.

The issue had been sold heavily on Wednesday in reaction to the slide in the US bond market, with the yield reaching 4.615 per cent on the inter-broker market. The bond had firmed in overnight trading in New York, pushing the yield down to around 4.590 per cent and attracted even greater buying interest in Tokyo yesterday.

### SINGAPORE

LOW-PRICED and speculative issues dominated fairly active trading in Singapore as investors continued to take profits on strong gains made in previous sessions.

Share prices closed generally lower despite some late short covering and the Straits Times industrial index lost 6.76 to 834.26. Volume was also down as some operators stayed on the sidelines.

Among active lower-priced stocks, Chuan Hup gained 11 cents to S$1.45, while Tan Chong slipped 1 cent to 50.5 cents. Properties, hotels and commodities were mixed as Seaview lost 5 cents to S$1.78, but major Sime Darby subsidiary Consolidated Plantations gained 10 cents to S$2.09.

### EUROPE

# Three more record highs are reached

THREE MORE record highs were achieved on the European bourses yesterday as investors threw aside concern over the mixed dollar and the unsettled tone in recent Wall Street trading.

Amsterdam breached an important barrier as the ANP-CBS General index jumped over the 300 level with a 2.2 advance to 300.1. Turnover exceeded Fl 700m.

Sentiment is expected to remain fundamentally bullish provided US markets do not falter, according to dealers.

Internationals were broadly higher as Akzo gained Fl 3.10 to Fl 163.80 and Royal Dutch picked up Fl 1.30 to Fl 212.80, another high for the year. KLM, meanwhile, managed to distance itself further from its low for the year with another 90 cent gain to Fl 45.40.

Banks turned mixed and insurers firmed. ABN was Fl 2.50 up at Fl 586.50 while NMB gave up Fl 2 to Fl 232.50; Amev at Fl 79.70 was Fl 1.70 stronger while Aegon moved back into the middle of its 1986 trading range with a Fl 1.40 rise to Fl 108.20. Aegon also announced the completion of its takeover of Monumental Corp of Baltimore.

Nat-Ned rose Fl 1 to Fl 86.70 ahead of plans to make a further US acquisition.

Heineken, due to report first-half results today, eased Fl 1 to Fl 185.50 on further consideration of the brewer's expansion plans in Spain and a possible downturn in profits.

Stronger publishers saw VNU jump Fl 6 to Fl 346, on the deconsolidation of a Belgian unit. Kluwer added Fl 3 to Fl 270 while Buehrmann-Tetterode added Fl 1 to Fl 222.50, just below its 12-month high. Elsevier gained Fl 2.50 to Fl 228.50 in response to its higher first-half figures.

Better-than-expected first-half results took textile group Nijverdal Ten Cate Fl 7.50 higher to Fl 156.

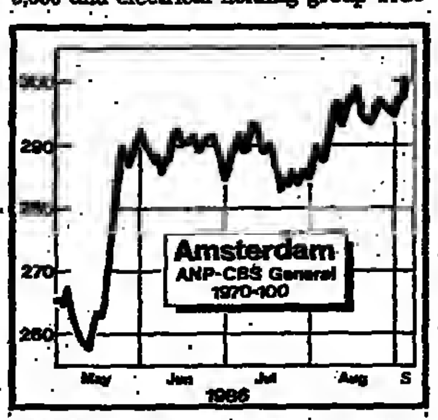
Brussels surged to a fresh peak at the start of the new trading fortnight and on the prospects of receding political difficulties for the Government. The Belgian Stock Exchange index closed 45.09 higher at a record 3,940.95.

Bellwether Petrofina hit a new 12-month trading high with a BFr 210 rise to BFr 9,180 in response to the two capital raising operations this week.

Société Générale de Belgique also scored a hefty rise with a BFr 120 jump to BFr 3,200 in response to its optimistic earnings forecast. Groupe Bruxelles Lambert sprinted BFr 105 ahead at BFr 3,400.

Leading chemical group Solvay was unchanged at BFr 8,000.

Retailer GB-Inno BM hit a further 1986 peak with its BFr 150 rally to BFr 3,850 and electrical holding group Tractebel scored one of the best advances of the session with a BFr 410 jump to BFr 6,420.



Madrid was led to record heights as the property sector came alive. Urbis had the best showing with its 5 percentage point advance.

Constructions reversed early weakness to finish the session broadly higher as Dragados firmed 9 points to 386 per cent of nominal value while Cementos Asland closed 1½ points ahead at 370 per cent.

Banks were stronger with Banco Bilbao hitting another 12-month peak with its 25 point gain to 1,250 per cent and Banco Popular jumping 55 points to a high for the year of 1,480 per cent. El Aguila, the brewer taken over by Heineken, fell 2½ points to 327.50 per cent.

Telefonica moved against the trend with its 2½ point drop to 199.75 per cent.

Zurich edged higher in active trading in response to a stable exchange rate and lower short-term interest rates.

Banks managed modest gains as Union Bank added SFr 15 to SFr 6,000, a new high for the year while Baer Holding jumped SFr 400 to SFr 20,100.

Bonds finished steady to higher in heavy volume.

Frankfurt turned mixed in active trading and the Commerzbank index gave up 8.3 to 2,095.3 as the dollar dropped to a 5½ year low at its foreign exchange fix of DM 2.0258. News that manufacturing

Continued on Page 43

### LONDON

INVESTMENT CONFIDENCE continued to rise in London yesterday on the back of optimism over a successful Trustee Savings Bank flotation and prospects of the larger British Gas issue.

Institutional investors chased second-line equities and some blue chips lost their sparkle. The FT-SE 100 added 9.6 to 1,680.3 while its sister index the FT Ordinary gained 9.7 to 1,334.3.

On the debit side, Bunzl dropped 12p to 223p after news of a rights issue and Allied-Lyons gave up 7p to 340p following suggestions that Elders IXL of Australia might direct its attentions to Hanson Trust's Courage brewing arm.

Longer-dated gilts ended with fresh fall of around ½.

*Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40-41*

### HONG KONG

ACTIVE TRADING in Hong Kong saw generally steady prices helped by speculative interest in Hongkong Land shares following the group's announcement of a rights issue to spin off its Dairy Farm subsidiary. Volume remained fairly heavy and the Hang Seng index closed 1.71 up at 1,946.70.

HK Land shares were steady at HK$6.55, while trading in other property issues included Sun Hung Kai Properties, up 40 cents to HK$15.70, and Cheung Kong, unchanged at HK$24.80.

Hang Seng Bank put on 75 cents to HK$33.75, while other blue chip banks were unchanged to slightly easier. Among losers, Jardine Matheson, major shareholder in HK Land, lost 40 cents to HK$16.60 and Hutchison Whampoa fell 50 cents to HK$34.50 but both remained high.

### AUSTRALIA

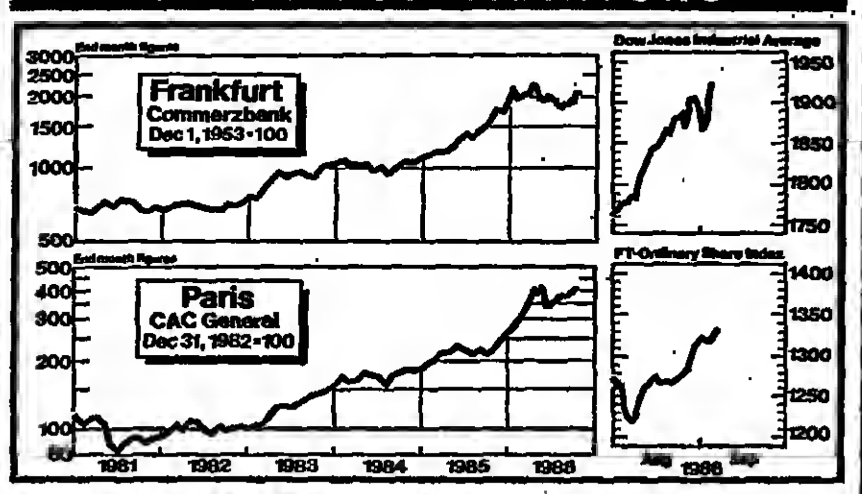
GOLD ISSUES remained the focus of trading in Sydney as the strong rally of the previous session continued.

The gold index leaped to a further record as Central Norseman shot up A$1.10 to A$12, GMK attracted 90 cents to A$12.30, Kidston gained 10 cents to A$7.30 and Placer put on 5 cents to A$2.55.

Other mining issues benefited from the interest in golds and elsewhere in industrial stocks, banks stood out as a popular sector. Westpac ended 18 cents higher at A$5.06, National Australian 4 cents to A$5.70 and ANZ Bank 20 cents up at A$5.46.

Elders, which received clearance for its Allied-Lyons bid, shed 15 cents to A$4.65, while BHP advanced 10 cents to A$7.64.

## KEY MARKET MONITORS



**STOCK MARKET INDICES**

| | Sept. 4 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,919.71 | 1,881.33 | 1,328.72 |
| DJ Transport | 790.13 | 769.50 | 679.66 |
| DJ Utilities | 216.82 | 216.68 | 159.06 |
| S&P Composite | 253.83 | 250.08 | 187.37 |
| **LONDON** | | | |
| FT Ord | 1,334.3 | 1,324.6 | 1,003.3 |
| FT-SE 100 | 1,680.3 | 1,670.7 | 1,326.70 |
| FT-A All-share | 827.76 | 823.75 | 640.56 |
| FT-A 500 | 908.99 | 904.76 | 704.11 |
| FT Gold mines | 281.2 | 283.5 | 309.5 |
| FT-A Long gilt | 9.59 | 9.57 | 10.31 |
| **TOKYO** | | | |
| Nikkei | 18,559.64 | 18,505.45 | 12,529.5 |
| Tokyo SE | 1,519.60 | 1,513.88 | 1,006.00 |
| **AUSTRALIA** | | | |
| All Ord. | 1,231.7 | 1,220.0 | 934.5 |
| Metals & Mins. | 580.1 | 564.3 | 521.2 |
| **AUSTRIA** | | | |
| Credit Aktien | 241.20 | 240.23 | 197.79 |
| **BELGIUM** | | | |
| Belgian SE | 3,940.95 | 3,895.86 | 2,408.41 |
| **CANADA** | | | |
| Toronto | | | |
| Metals & Minls | 2,188.40 | 2,156.0 | 2,067.0 |
| Composite | 3,096.40 | 3,058.2 | 2,794.1 |
| Montreal | | | |
| Portfolio | 1,551.38 | 1,531.18 | 136.00 |
| **DENMARK** | | | |
| SE | 193.60 | 196.16 | 215.83 |
| **FRANCE** | | | |
| CAC Gen | 411.30 | 405.70 | 223.1 |
| Ind. Tendance | 158.00 | 156.20 | 82.07 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 693.44 | 696.92 | 497.32 |
| Commerzbank | 2,095.30 | 2,103.60 | 1,460.0 |
| **HONG KONG** | | | |
| Hang Seng | 1,946.70 | 1,944.99 | 1,578.54 |
| **ITALY** | | | |
| Banca Comm. | 811.87 | 813.79 | 375.34 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 300.10 | 297.90 | 221.3 |
| ANP-CBS Ind | 301.00 | 298.50 | 193.5 |
| **NORWAY** | | | |
| Oslo SE | 380.58 | 377.68 | 352.69 |
| **SINGAPORE** | | | |
| Straits Times | 834.26 | 841.02 | 750.12 |
| **SOUTH AFRICA** | | | |
| JSE Golds | – | 1,809.0 | 984.0 |
| JSE Industrials | – | 1,344.0 | 946.1 |
| **SPAIN** | | | |
| Madrid SE | 204.23 | 203.81 | 81.80 |
| **SWEDEN** | | | |
| J & P | 2,399.70 | 2,433.96 | 1,379.50 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 571.30 | 567.60 | 476.2 |
| **WORLD** | | | |
| MS Capital Int'l | 356.3 | 357.4 | 217.2 |

**COMMODITIES**

| (London) | Sep 4 | Prev |
|---|---|---|
| Silver (spot fixing) | 352.45p | 362.00p |
| Copper (cash) | £903.00 | £905.50 |
| Coffee (Sept) | £2,337.50 | £2,277.50 |
| Oil (Brent blend) | $15.10 | $14.95 |

**GOLD** (per ounce)

| | Sep 4 | Prev |
|---|---|---|
| London | $406.50 | $406.75 |
| Zürich | $405.875 | $405.50 |
| Paris (fixing) | $399.59 | $404.02 |
| Luxembourg | $406.40 | $408.50 |
| New York (Dec) | $415.50 | $412.50 |

**CURRENCIES**

| (London) | US DOLLAR Sep 4 | US DOLLAR Previous | STERLING Sep 4 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.5045 | 1.4995 |
| DM | 2.0295 | 2.0265 | 3.0525 | 3.0375 |
| Yen | 154.90 | 154.65 | 233.0 | 232.0 |
| FFr | 6.6525 | 6.6450 | 10.0075 | 9.9650 |
| SFr | 1.6425 | 1.6350 | 2.4700 | 2.4525 |
| Guilder | 2.2890 | 2.2880 | 3.4450 | 3.430 |
| Lira | 1,398.5 | 1,398.5 | 2,105 | 2,097 |
| BFr | 42.00 | 41.95 | 63.20 | 62.90 |
| C$ | 1.3875 | 1.38675 | 2.0875 | 2.0805 |

**INTEREST RATES**

| | Sep 4 | Prev |
|---|---|---|
| Euro-currencies (3-month offered rate) | | |
| £ | 10 | 9¹⁵⁄₁₆ |
| SFr | 4⅞ | 4⅞ |
| DM | 4⁷⁄₁₆ | 4⁷⁄₁₆ |
| FFr | 7⅝ | 7⁹⁄₁₆ |
| FT London Interbank fixing (offered rate) | | |
| 3-month US$ | 5¹³⁄₁₆ | 5⅞ |
| 6-month US$ | 5¹³⁄₁₆ | 5⅞ |
| US Fed Funds | 5⅝* | 5⅞ |
| US 3-month CDs | 5.40* | 5.625 |
| US 3-month T-bills | 5.22* | 5.40 |

**US BONDS**

| Treasury | September 4* Price | September 4* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 6⅝ 1988 | 100 | 6.124 | 100 | 6.124 |
| 7¼ 1993 | 101¹⁷⁄₃₂ | 6.96 | 101¹⁶⁄₃₂ | 6.969 |
| 7⅜ 1996 | 101⁵⁄₃₂ | 7.187 | 101⁷⁄₃₂ | 7.196 |
| 7¼ 2016 | 97²⁴⁄₃₂ | 7.438 | 97²⁶⁄₃₂ | 7.432 |

*Source: Harris Trust Savings Bank*

| Treasury Index Maturity (years) | Sep 4* Return index | Sep 4* Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 156.86 | +0.06 | 6.89 | –0.01 |
| 1–10 | 149.46 | +0.07 | 6.57 | –0.01 |
| 1– 3 | 139.97 | +0.05 | 6.15 | –0.01 |
| 3– 5 | 152.03 | +0.01 | 6.75 | +0.00 |
| 15-30 | 183.48 | +0.08 | 7.96 | +0.00 |

*Source: Merrill Lynch*

| Corporate | September 4* Price | September 4* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 3⅞ July 1990 | 91.79 | 6.35 | 91.73 | 6.35 |
| SCBT South Central | | | | |
| 10⅞ Jan 1993 | 106.75 | 9.47 | 106.75 | 9.47 |
| Phibro-Sal | | | | |
| 6 April 1996 | 99 | 8.15 | 99.00 | 8.15 |
| TRW | | | | |
| 8⅝ March 1996 | 101½ | 8.52 | 101.00 | 8.59 |
| Arco | | | | |
| 9⅞ March 2016 | 106.25 | 9.25 | 105⅝ | 9.32 |
| General Motors | | | | |
| 8⅝ April 2016 | 91½ | 8.95 | 91⅛ | 8.95 |
| Citicorp | | | | |
| 9⅞ March 2016 | 99.00 | 9.48 | 98.875 | 9.489 |

*Source: Salomon Brothers*

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| US Treasury Bonds (CBT) 8% 32nds of 100% | | | | |
| Sept | 99-06 | 99-16 | 98-13 | 98-29 |
| US Treasury Bills (IMM) $1m points of 100% | | | | |
| Sept | 94.81 | 94.84 | 94.79 | 94.81 |
| Certificates of Deposit (IMM) $1m points of 100% | | | | |
| Sept | n/a | n/a | n/a | 94.52 |
| **LONDON** | | | | |
| Three-month Eurodollar $1m points of 100% | | | | |
| Sept | 94.20 | 94.25 | 94.19 | 94.20 |
| 20-year Notional Gilt £50,000 32nds of 100% | | | | |
| Sept | 119-15 | 120-11 | 119-26 | 120-03 |

* Latest available figures